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Report Request

This report is available online **here**.

To request a paper copy of the report, please contact the Office of Administration at the following number: 573-751-4761.

Report Request

This report is not available online.

To request a paper copy of this report, please contact the State Auditor's Office at the following:

moaudit@auditor.mo.gov

Phone: 573-751-4213

Fax: 57-751-7984

LACLEDE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-120
December 28, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Laclede, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Laclede County was a financial and compliance audit of various county operating funds.

- The county overspent budgets for some county funds during 1997 and 1998. The audit recommended officials not authorize warrants in excess of budgeted amounts.

The audit also includes some matters upon which the county should consider and take appropriate corrective action, which includes seeking more timely reimbursement of criminal costs.

LACLEDE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Laclede County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Laclede County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Laclede County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Laclede County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Laclede County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Laclede County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*,

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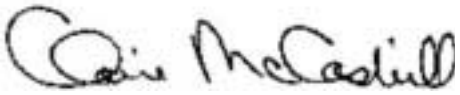
as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 17, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

August 17, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Laclede County, Missouri

We have audited the special-purpose financial statements of various funds of Laclede County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated August 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Laclede County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 98-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Laclede County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

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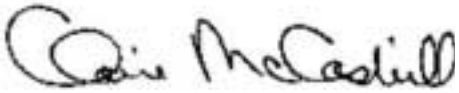
performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Laclede County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

August 17, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	292,431	2,787,769	2,582,537	497,663
Special Road and Bridge		200,433	905,048	1,002,710	102,771
Assessment		9,406	218,652	219,113	8,945
Law Enforcement Training		51,497	15,832	14,199	53,130
Prosecuting Attorney Training		4,839	2,677	2,690	4,826
Prosecuting Attorney Bad Check		57,636	48,159	38,251	67,544
Enhanced 911 Board		24,461	243,722	210,588	57,595
Law Enforcement Sales Tax		436,898	1,690,472	1,547,421	579,949
Recorder's User Fees		29,589	18,935	944	47,580
Prosecuting Attorney Delinquent Tax		5,763	14,258	7,384	12,637
Law Enforcement Drug		779	39	0	818
Map Reserve		0	2,000	0	2,000
Sheriff		3,586	39,285	38,980	3,891
Shelter Abuse		6,061	20,295	23,184	3,172
County Local Use Tax		247,790	0	36,087	211,703
Law Enforcement Use Tax		84,180	0	84,180	0
Capital Improvement		237,150	25,000	150,000	112,150
Health Insurance		1,644	343,816	305,674	39,786
Health Center		163,702	567,348	524,943	206,107
Senate Bill 40 Board		20,463	225,699	205,693	40,469
Circuit Clerk Interest		3,016	8,495	7,537	3,974
Law Library		16,766	17,755	3,746	30,775
Family Access Fund		0	50	0	50
Juvenile Assessment		0	470	0	470
Total	$	1,898,090	7,195,776	7,005,861	2,088,005

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	420,254	2,203,579	2,331,402	292,431
Special Road and Bridge		150,446	1,159,484	1,109,497	200,433
Assessment		7,680	247,477	245,751	9,406
Law Enforcement Training		46,558	12,264	7,325	51,497
Prosecuting Attorney Training		5,518	3,560	4,239	4,839
Prosecuting Attorney Bad Check		37,934	40,455	20,753	57,636
Enhanced 911		77,822	231,948	285,309	24,461
Law Enforcement Sales Tax		623,327	1,429,454	1,615,883	436,898
Recorder's User Fees		43,460	16,585	30,456	29,589
Prosecuting Attorney Delinquent Tax		4,056	3,397	1,690	5,763
Law Enforcement Drug		752	27	0	779
Sheriff		0	12,586	9,000	3,586
Shelter Abuse		6,206	14,351	14,496	6,061
County Local Use Tax		247,790	0	0	247,790
Law Enforcement Use Tax		84,180	0	0	84,180
Capital Improvement		207,150	30,000	0	237,150
Health Insurance		1,602	249,853	249,811	1,644
Health Center		129,535	512,599	478,432	163,702
Senate Bill 40 Board		40,995	285,691	306,223	20,463
Circuit Clerk Interest		23,123	7,241	27,348	3,016
Law Library		10,386	9,890	3,510	16,766
Sheriff's Equitable Sharing		3,053	0	3,053	0
Total	$	2,171,827	6,470,441	6,744,178	1,898,090

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 229,350	232,935	3,585	65,500	84,129	18,629
Sales taxes	1,383,148	1,439,233	56,085	1,345,000	1,357,922	12,922
Intergovernmental	140,477	184,849	44,372	205,762	158,797	-46,965
Charges for services	724,200	738,443	14,243	444,820	400,017	-44,803
Interest	40,155	55,360	15,205	38,155	52,254	14,099
Other	153,850	126,949	-26,901	149,653	135,263	-14,390
Transfers in	10,000	10,000	0	19,264	15,197	-4,067
Total Receipts	2,681,180	2,787,769	#VALUE!	2,268,154	2,203,579	#VALUE!
DISBURSEMENTS						
County Commission	84,300	81,622	2,678	82,520	82,081	439
County Clerk	84,610	84,510	100	83,180	81,989	1,191
Elections	63,513	52,417	11,096	35,500	27,988	7,512
Buildings and grounds	350,000	395,196	-45,196	161,000	158,321	2,679
Employee fringe benefits	123,500	65,121	58,379	97,500	66,870	30,630
County Treasurer	31,360	30,467	893	30,860	30,652	208
County Collector	83,780	82,451	1,329	80,180	80,056	124
Ex Officio Recorder of Deeds	50,650	51,310	-660	50,380	50,378	2
Circuit Clerk	39,925	39,794	131	31,828	31,828	0
Associate Circuit Court	6,615	6,615	0	10,212	10,212	0
Court administration	32,187	11,848	20,339	28,000	11,381	16,619
Public Administrator	53,220	51,979	1,241	45,650	36,106	9,544
Sheriff	382,501	381,678	823	431,155	384,779	46,376
Jail	372,760	385,112	-12,352	265,682	263,917	1,765
Prosecuting Attorney	167,775	163,450	4,325	156,980	154,552	2,428
Juvenile Officer	163,756	158,663	5,093	141,545	127,885	13,660
County Coroner	16,080	12,613	3,467	15,880	12,220	3,660
Postage	40,000	42,158	-2,158	38,000	37,999	1
Mail Clerk	6,860	4,888	1,972	0	0	0
Public health and welfare services	3,000	2,327	673	3,000	1,200	1,800
Insurance and bonds	75,000	57,193	17,807	80,000	71,450	8,550
University extension	37,877	37,877	0	39,012	35,244	3,768
Other	176,303	100,153	76,150	100,400	90,302	10,098
Transfers out	235,595	283,095	-47,500	516,411	483,992	32,419
Emergency Fund	85,000	0	85,000	73,000	0	73,000
Total Disbursements	2,766,167	2,582,537	183,630	2,597,875	2,331,402	266,473
RECEIPTS OVER (UNDER) DISBURSEMENTS	-84,987	205,232	#VALUE!	-329,721	-127,823	#VALUE!
CASH, JANUARY 1	292,431	292,431	0	420,254	420,254	0
CASH, DECEMBER 31	$ 207,444	497,663	#VALUE!	90,533	292,431	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 2,000	2,090	90	1,700	2,021	321
Intergovernmental	1,108,448	819,431	-289,017	696,658	755,937	59,279
Interest	3,000	6,313	3,313	4,000	6,862	2,862
Other	14,999	32,214	17,215	313,900	119,664	-194,236
Transfers in	45,000	45,000	0	275,000	275,000	0
Total Receipts	1,173,447	905,048	-268,399	1,291,258	1,159,484	-131,774
DISBURSEMENTS						
Salaries	380,000	364,196	15,804	340,000	335,639	4,361
Employee fringe benefits	67,540	26,344	41,196	60,100	37,372	22,728
Supplies	70,000	64,646	5,354	70,000	87,571	-17,571
Insurance	10,000	7,283	2,717	14,000	7,403	6,597
Road and bridge materials	137,000	109,436	27,564	170,000	102,526	67,474
Equipment repairs	70,000	124,564	-54,564	70,000	121,716	-51,716
Rentals	2,000	535	1,465	1,000	1,196	-196
Equipment purchases	117,875	119,785	-1,910	144,000	144,068	-68
Construction, repair, and maintenance	301,000	23,581	277,419	301,000	0	301,000
Other	95,118	107,390	-12,272	219,496	232,329	-12,833
Transfers out	47,000	54,950	-7,950	33,912	39,677	-5,765
Total Disbursements	1,297,533	1,002,710	294,823	1,423,508	1,109,497	314,011
RECEIPTS OVER (UNDER) DISBURSEMENTS	-124,086	-97,662	26,424	-132,250	49,987	182,237
CASH, JANUARY 1	200,433	200,433	0	150,446	150,446	0
CASH, DECEMBER 31	$ 76,347	102,771	26,424	18,196	200,433	182,237

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 204,186	189,683	-14,503	200,078	204,759	4,681
Interest	1,000	2,358	1,358	1,700	1,694	-6
Other	4,400	7,008	2,608	3,300	7,032	3,732
Transfers in	10,595	19,603	9,008	41,410	33,992	-7,418
Total Receipts	220,181	218,652	-1,529	246,488	247,477	989
DISBURSEMENTS						
Assessor	205,887	189,733	16,154	237,212	221,276	15,936
Tranfers out	23,700	29,380	-5,680	16,956	24,475	-7,519
Total Disbursements	229,587	219,113	10,474	254,168	245,751	8,417
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,406	-461	8,945	-7,680	1,726	9,406
CASH, JANUARY 1	9,406	9,406	0	7,680	7,680	0
CASH, DECEMBER 31	$ 0	8,945	8,945	0	9,406	9,406

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	2,934	2,934	4,000	2,499	-1,501
Charges for services	0	10,326	10,326	7,000	7,371	371
Interest	0	2,572	2,572	1,500	2,394	894
Total Receipts	0	15,832	15,832	12,500	12,264	-236
DISBURSEMENTS						
Sheriff	25,000	14,199	10,801	25,000	7,325	17,675
Total Disbursements	25,000	14,199	10,801	25,000	7,325	17,675
RECEIPTS OVER (UNDER) DISBURSEMENTS	-25,000	1,633	26,633	-12,500	4,939	17,439
CASH, JANUARY 1	51,497	51,497	0	46,558	46,558	0
CASH, DECEMBER 31	$ 26,497	53,130	26,633	34,058	51,497	17,439

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,800	2,440	-1,360	3,800	3,302	-498
Interest	300	237	-63	200	258	58
Total Receipts	4,100	2,677	-1,423	4,000	3,560	-440
DISBURSEMENTS						
Prosecuting Attorney	4,000	2,690	1,310	4,000	4,239	-239
Total Disbursements	4,000	2,690	1,310	4,000	4,239	-239
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	-13	-113	0	-679	-679
CASH, JANUARY 1	4,839	4,839	0	5,518	5,518	0
CASH, DECEMBER 31	$ 4,939	4,826	-113	5,518	4,839	-679

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 24,000	44,802	20,802	23,000	38,287	15,287
Interest	1,000	3,357	2,357	700	2,168	1,468
Total Receipts	25,000	48,159	23,159	23,700	40,455	16,755
DISBURSEMENTS						
Prosecuting Attorney	53,676	24,793	28,883	35,673	18,283	17,390
Transfer out	13,458	13,458	0	1,884	2,470	-586
Total Disbursements	67,134	38,251	28,883	37,557	20,753	16,804
RECEIPTS OVER (UNDER) DISBURSEMENTS	-42,134	9,908	52,042	-13,857	19,702	33,559
CASH, JANUARY 1	57,636	57,636	0	37,934	37,934	0
CASH, DECEMBER 31	$ 15,502	67,544	52,042	24,077	57,636	33,559

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ENHANCED 911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 228,000	240,557	12,557	263,098	228,369	-34,729
Interest	3,500	3,165	-335	2,500	3,579	1,079
Total Receipts	231,500	243,722	12,222	265,598	231,948	-33,650
DISBURSEMENTS						
Salaries	165,995	137,537	28,458	171,150	167,072	4,078
Office expenditures	0	0	0	4,150	5,371	-1,221
Equipment	2,000	5,054	-3,054	15,000	11,716	3,284
Mileage and training	1,600	2,362	-762	6,500	4,152	2,348
Other	41,335	39,505	1,830	54,200	41,233	12,967
Transfer out	21,618	26,130	-4,512	48,840	55,765	-6,925
Total Disbursements	232,548	210,588	21,960	299,840	285,309	14,531
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,048	33,134	34,182	-34,242	-53,361	-19,119
CASH, JANUARY 1	24,461	24,461	0	77,822	77,822	0
CASH, DECEMBER 31	$ 23,413	57,595	34,182	43,580	24,461	-19,119

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales Tax	$ 1,382,262	1,436,837	54,575	1,345,000	1,355,159	10,159
Interest	15,000	19,455	4,455	10,000	24,295	14,295
Transfer in	581,970	234,180	-347,790	50,000	50,000	0
Total Receipts	1,979,232	1,690,472	-288,760	1,405,000	1,429,454	24,454
DISBURSEMENTS						
Facility project	418,000	199,570	218,430	200,000	187,775	12,225
Bond payments	1,364,938	1,272,041	92,897	1,362,596	1,277,855	84,741
Land payments	74,000	75,810	-1,810	0	89,358	-89,358
Other	400,000	0	400,000	0	60,895	-60,895
Total Disbursements	2,256,938	1,547,421	709,517	1,562,596	1,615,883	-53,287
RECEIPTS OVER (UNDER) DISBURSEMENTS	-277,706	143,051	420,757	-157,596	-186,429	-28,833
CASH, JANUARY 1	436,898	436,898	0	623,327	623,327	0
CASH, DECEMBER 31	$ 159,192	579,949	420,757	465,731	436,898	-28,833

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	$ 15,000	15,978	978	14,500	14,274	-226
Interest	2,000	2,957	957	1,970	2,311	341
Total Receipts	17,000	18,935	1,935	16,470	16,585	115
DISBURSEMENTS						
Recorder	7,323	944	6,379	48,771	30,456	18,315
Total Disbursements	7,323	944	6,379	48,771	30,456	18,315
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,677	17,991	8,314	-32,301	-13,871	18,430
CASH, JANUARY 1	29,589	29,589	0	43,460	43,460	0
CASH, DECEMBER 31	$ 39,266	47,580	8,314	11,159	29,589	18,430

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 3,000	13,719	10,719	1,000	3,126	2,126
Interest	0	539	539	0	271	271
Total Receipts	3,000	14,258	11,258	1,000	3,397	2,397
DISBURSEMENTS						
Salaries	1,700	7,384	-5,684	1,000	1,665	-665
Other	265	0	265	160	25	135
Total Disbursements	1,965	7,384	-5,419	1,160	1,690	-530
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,035	6,874	5,839	-160	1,707	1,867
CASH, JANUARY 1	5,763	5,763	0	4,056	4,056	0
CASH, DECEMBER 31	$ 6,798	12,637	5,839	3,896	5,763	1,867

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT DRUG FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	0	39	39	0	27	27
Total Receipts	0	39	39	0	27	27
DISBURSEMENTS						
Office expenditures	779	0	779	0	0	0
Total Disbursements	779	0	779	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-779	39	818	0	27	27
CASH, JANUARY 1	779	779	0	752	752	0
CASH, DECEMBER 31	$ 0	818	818	752	779	27

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MAP RESERVE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfer in	$ 2,000	2,000	0
Total Receipts	2,000	2,000	0
DISBURSEMENTS			
Map reserve	0	0	0
Total Disbursements	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	2,000	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 2,000	2,000	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 20,000	36,298	16,298
Interest	0	2,987	2,987
Total Receipts	20,000	39,285	19,285
DISBURSEMENTS			
Sheriff	20,000	38,980	-18,980
Total Disbursements	20,000	38,980	-18,980
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	305	305
CASH, JANUARY 1	3,586	3,586	0
CASH, DECEMBER 31	$ 3,586	3,891	305

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHELTER ABUSE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 10,000	13,844	3,844
Charges for services	4,500	6,160	1,660
Interest	0	291	291
Total Receipts	14,500	20,295	5,795
DISBURSEMENTS			
Domestic violence shelter	20,561	23,184	-2,623
Total Disbursements	20,561	23,184	-2,623
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,061	-2,889	3,172
CASH, JANUARY 1	6,061	6,061	0
CASH, DECEMBER 31	$ 0	3,172	3,172

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY LOCAL USE TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 0	0	0
Total Receipts	0	0	0
DISBURSEMENTS			
Construction	247,790	36,087	211,703
Total Disbursements	247,790	36,087	211,703
RECEIPTS OVER (UNDER) DISBURSEMENTS	-247,790	-36,087	211,703
CASH, JANUARY 1	247,790	247,790	0
CASH, DECEMBER 31	$ 0	211,703	211,703

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT USE TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 0	0	0
Total Receipts	0	0	0
DISBURSEMENTS			
Transfer out	84,180	84,180	0
Total Disbursements	84,180	84,180	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-84,180	-84,180	0
CASH, JANUARY 1	84,180	84,180	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfer in	25,000	25,000	0
Total Receipts	25,000	25,000	0
DISBURSEMENTS			
Transfer out	200,000	150,000	50,000
Total Disbursements	200,000	150,000	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-175,000	-125,000	50,000
CASH, JANUARY 1	237,150	237,150	0
CASH, DECEMBER 31	$ 62,150	112,150	50,000

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH INSURANCE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 0	946	946
Other	0	37,460	37,460
Transfer in	$ 290,000	305,410	15,410
Total Receipts	290,000	343,816	53,816
DISBURSEMENTS			
Health insurance premiums	290,000	305,674	-15,674
Total Disbursements	290,000	305,674	-15,674
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	38,142	38,142
CASH, JANUARY 1	1,644	1,644	0
CASH, DECEMBER 31	$ 1,644	39,786	38,142

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	$ 231,000	246,377	15,377	178,000	193,212	15,212
Intergovernmental	282,469	260,810	-21,659	222,166	266,137	43,971
Charges for services	22,000	26,846	4,846	17,000	20,140	3,140
Interest	7,000	10,779	3,779	6,373	8,609	2,236
Other	10,500	22,536	12,036	20,500	24,501	4,001
Total Receipts	552,969	567,348	14,379	444,039	512,599	68,560
DISBURSEMENTS						
Salaries	400,723	386,573	14,150	332,894	340,052	-7,158
Office expenditures	78,100	61,398	16,702	50,500	60,126	-9,626
Equipment	36,060	59,994	-23,934	31,200	53,125	-21,925
Mileage and training	10,500	7,658	2,842	8,600	6,377	2,223
Other	191,188	9,320	181,868	150,280	18,752	131,528
Total Disbursements	716,571	524,943	191,628	573,474	478,432	95,042
RECEIPTS OVER (UNDER) DISBURSEMENTS	-163,602	42,405	206,007	-129,435	34,167	163,602
CASH, JANUARY 1	163,702	163,702	0	129,535	129,535	0
CASH, DECEMBER 31	$ 100	206,107	206,007	100	163,702	163,602

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 88,250	224,690	136,440	272,470	284,266	11,796
Intergovernmental	0	423	423	2,000	970	-1,030
Interest	100	586	486	0	455	455
Other	1,500	0	-1,500	0	0	0
Total Receipts	89,850	225,699	135,849	274,470	285,691	11,221
DISBURSEMENTS						
Contract services	82,950	201,907	-118,957	264,620	303,812	-39,192
Office expenditures	100	161	-61	2,800	191	2,609
Mileage and training	100	0	100	2,500	0	2,500
Legal fees	5,000	2,625	2,375	2,500	500	2,000
Insurance and bonds	1,750	1,000	750	2,050	1,720	330
Total Disbursements	89,900	205,693	-115,793	274,470	306,223	-31,753
RECEIPTS OVER (UNDER) DISBURSEMENTS	-50	20,006	20,056	0	-20,532	-20,532
CASH, JANUARY 1	10,118	20,463	10,345	40,995	40,995	0
CASH, DECEMBER 31	$ 10,068	40,469	30,401	40,995	20,463	-20,532

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	5,000	8,495	3,495	5,200	7,241	2,041
Total Receipts	5,000	8,495	3,495	5,200	7,241	2,041
DISBURSEMENTS						
Equipment	6,000	7,537	-1,537	20,000	21,151	-1,151
Transfer out	14	0	14	7,582	6,197	1,385
Total Disbursements	6,014	7,537	-1,523	27,582	27,348	234
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,014	958	1,972	-22,382	-20,107	2,275
CASH, JANUARY 1	3,016	3,016	0	23,123	23,123	0
CASH, DECEMBER 31	$ 2,002	3,974	1,972	741	3,016	2,275

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	$ 9,900	16,795	6,895	5,400	9,417	4,017
Interest	0	960	960	200	473	273
Total Receipts	9,900	17,755	7,855	5,600	9,890	4,290
DISBURSEMENTS						
Law Library	15,000	3,746	11,254	10,000	3,510	6,490
Total Disbursements	15,000	3,746	11,254	10,000	3,510	6,490
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,100	14,009	19,109	-4,400	6,380	10,780
CASH, JANUARY 1	16,766	16,766	0	10,386	10,386	0
CASH, DECEMBER 31	$ 11,666	30,775	19,109	5,986	16,766	10,780

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Laclede County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff Fund	1997
Shelter Abuse Fund	1997
County Local Use Tax Fund	1997
Law Enforcement Use Tax Fund	1997
Capital Improvement Fund	1997
Health Insurance Fund	1997
Family Access Fund	1998
Sheriff's Equitable Sharing Fund	1997
Juvenile Assessment Fund	1998

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Training Fund	1997
Law Enforcement Sales Tax Fund	1997
Sheriff Fund	1998
Shelter Abuse Fund	1998
Health Insurance Fund	1998
Senate Bill 40 Board Fund	1998 and 1997
Circuit Clerk Interest Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Map Reserve Fund	1998
Shelter Abuse Fund	1998 and 1997
Health Insurance Fund	1997
Health Center Fund	1998 and 1997
Senate Bill 40 Board Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Sheriff's Equitable Sharing Fund	1997
Family Access Fund	1998
Juvenile Assessment Fund	1998

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board’s deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance, by insurance provided through a surety bond, or by collateral securities held by the Board’s custodial bank in the Board’s name.

The Senate Bill 40 Board’s deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $353,747 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $161,932. As of December 31, 1998, $69,962 remains to be paid.

Schedule

LACLEDE COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Overspending Budgets

Disbursements were made in excess of the approved budgets in the following funds during the two years ended December 31, 1998, as follows:

	Year Ended December 31,	
Fund	1998	1997
Prosecuting Attorney Training 239	$	N/A
Law Enforcement Sales Tax	N/A	53,287
Sheriff	18,980	N/A
Shelter Abuse	2,623	N/A
Health Insurance	15,674	N/A
Senate Bill 40 Board	115,793	31,753
Circuit Clerk Interest	1,523	N/A

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the County Commission ensure the county and applicable officials and/or boards do not authorize disbursements in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended.

AUDITEE'S RESPONSE

The County Commission provided the following response:

It is our desire to do the best we can to stay within the approved budgeted amounts. We inadvertently allowed the Prosecutor's Training Fund and Law Enforcement Sales Tax Fund to exceed the 1997 budgeted expenditure amount. We had sufficient monies in those funds to cover the excess expenditures, but did not complete the proper documentation of the changes.

Our Health Insurance Fund was set up when we were self-insured in 1997 and 1998. We since have changed to MO Consolidated Insurance. We now pay a set monthly premium. The Health Insurance Fund has been used in 1999, for run-out of past claims and we plan to close the fund out in 2000.

Concerning the excess spending in the Circuit Clerk Interest Fund and Sheriff Fund, we will advise them that they are to request a hearing for any necessary expenditures that exceed their budgeted expenditures in their special accounts. We will also request that the County Treasurer track the expenditures she writes from the Sheriff's Fund to assure the fund does not exceed the budget.

We intend to discuss with the Senate Bill 40 Board and Shelter Abuse recipients the statutory guidelines they should comply with concerning necessitated excess expenditures in their budgets.

The Senate Bill 40 Board provided the following response:

Budgets will be monitored on a quarterly basis.

Follow-Up on Prior Audit Findings

LACLEDE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

SECTION ON OTHER MATTERS

LACLEDE COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Laclede County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated August 17, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Laclede County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgets and Published Financial Statements

   Budgets were not prepared for various funds for the two years ended December 31, 1998. The county's annual published financial statements did not include the financial activity of several county funds.

2. County Expenditures

   The county did not always solicit bids nor was bid documentation always retained for various purchases. Purchases totaling $18,134 were made from the Recorder's User Fee Fund for equipment that is being utilized by the Circuit Clerk's office.

3. Criminal Cost Reimbursement

   The county does not have adequate procedures for collecting and monitoring amounts assessed by the courts. Section 221.105, RSMo Supp. 1998, allows for the reimbursement of certain costs (primarily including board cost paid by the county) in criminal cases when the state has been rendered liable. The Circuit Clerk has not been submitting criminal cost reimbursement requests to the state in a timely manner. Many bills were held almost two years prior to being submitted for reimbursement. The county received approximately $54,000 and $7,000 in criminal cost reimbursements during the years ended December 31, 1997 and 1998, respectively. In 1999, the Circuit Clerk reviewed his files and submitted requests. The county received approximately $151,000 in criminal cost reimbursements during the first seven months of 1999. We also found some cases where monies had been assessed by the courts that were not adequately followed up by the court.

4. Senate Bill 40 Board

The Senate Bill 40 Board's budget did not adequately reflect the board's financial condition. The actual cash balances, receipt, and disbursement amounts were not accurately reflected on the budget. Also, the board's monitoring procedures were deficient to ensure funds on deposit were adequately covered by collateral securities and coverage was deficient by approximately $154,000 and $56,000 in January 1999 and 1998, respectively.

This Letter on Other Matters is intended for the information of the management of Laclede County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

* * * * *

HOWARD COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-119
December 27, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Howard, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Howard County included additional areas of county operations, as well as the elected county officials. Many of the current recommendations are similar to prior recommendations that were not implemented by county officials. The following concerns were noted as part of the audit:

< As discussed in the prior audit report, the Keller Memorial Hospital ceased operations in June 1995, and the hospital board of trustees was dissolved in May 1997. In June 1997 approximately $390,000 was transferred from closed hospital bank accounts to the county's General Revenue Fund. Of this amount, approximately $285,000 was property taxes paid by Howard County taxpayers for a hospital that was not in operation. We previously recommended the county consider returning the property tax windfall to taxpayers via a future tax reduction. No property tax reduction has been made and while the County Commission verbally indicated they have no plans to do that, this audit recommended that decision be formally documented. This property tax windfall has resulted in a significant increase in the General Revenue Fund's cash balance.

< The salary commission met in December 1998, although statutorily they should meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with their next term of office. Discussions documented in the salary commission minutes indicated that after considering the county's improved financial condition and other information, raises for all county officials were approved. While county officials said they consulted legal counsel and believed they were in statutory compliance, the audit report suggested the salary commission clearly document all decisions and include written legal opinions.

(over)

- The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activities of the county. Several inaccuracies were noted in the information presented in the county's budget documents and some information was incomplete. Budgeted receipts and/or disbursements were unreasonable for some funds. Financial data for some funds was presented in both the General Revenue Fund budget and those funds' individual budgets. Actual expenditures exceeded budgeted amounts for some funds. The county's annual published financial statements did not include financial activity for many county funds and presented incorrect financial information for other county funds.

- The county does not have a procedure in place to track federal awards. No expenditures information was provided on the county's Schedule of Expenditures of Federal Awards for the years ended December 31, 1998 and 1997.

- Although the County Commission had a comprehensive personnel policies manual developed several years ago, the manual has never been officially approved and the policies are not consistently enforced. The county's payroll procedures are decentralized and each official and/or department is responsible for monitoring and documenting time worked by employees and maintaining vacation leave, sick leave, and compensatory time records.

The audit also made recommendations and suggestions to improve the county's tax book procedures and general fixed asset records. The audit also suggested improvements in controls and procedures of the Prosecuting Attorney, the Circuit Clerk, the Sheriff, the Health Department, and the Handicapped Services Board.

Copies of the audit are available upon request.

HOWARD COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Howard County.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain matters regarding the year 2000 issue. Howard County has included such disclosures in Note 3. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 3. Further, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

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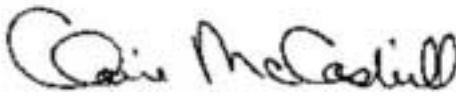
As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling $209,385 and $707,104 in receipts, and $219,186 and $904,834 in disbursements for the years ended December 31, 1998 and 1997, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures and the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 27, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Howard County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Howard County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 98-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Howard County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the

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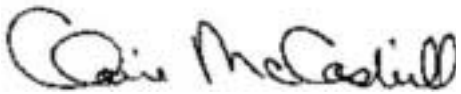
of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Howard County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	599,675	996,281	1,041,552	554,404
Special Road and Bridge		400,285	1,015,378	1,056,438	359,225
Assessment		1,642	108,742	108,667	1,717
Law Enforcement Training		582	3,049	2,508	1,123
Prosecuting Attorney Training		90	236	251	75
Law Enforcement Sales Tax		1,364	341,470	341,317	1,517
Recorder's User Fees		18,339	5,629	16,628	7,340
911 Board		140,793	233,079	247,891	125,981
Sheltered Services Board		66,490	78,765	69,632	75,623
Keller Building Fund		1,544	96,374	95,416	2,502
Victims of Domestic Violence		915	361	400	876
Civil Defense		657	14,753	12,463	2,947
Local Emergency Planning		8,895	3,244	508	11,631
Sheriff Civil Fees		3,454	8,636	6,435	5,655
Peace Officer Safety Training		0	1,123	1,123	0
Prosecuting Attorney Bad Check		4,701	5,843	4,775	5,769
Levee Districts		0	142,001	142,001	0
CDBG-Regional Port Authority		0	22,405	22,405	0
Road Sign		1,790	48	1,838	0
Circuit Clerk Interest		10,191	1,939	4,584	7,546
Law Library		8,294	1,445	5,000	4,739
Howard County Economic Development		34,464	35,704	38,583	31,585
Total	$	1,304,165	3,116,505	3,220,415	1,200,255

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	139,148	1,385,089	924,562	599,675
Special Road and Bridge		469,908	866,616	936,239	400,285
Assessment		1,414	99,199	98,971	1,642
Law Enforcement Training		1,323	1,937	2,678	582
Prosecuting Attorney Training		206	436	552	90
Law Enforcement Sales Tax		568	309,872	309,076	1,364
Recorder's User Fees		19,702	5,015	6,378	18,339
911 Board		169,068	226,844	255,119	140,793
Sheltered Services Board		65,745	81,925	81,180	66,490
Keller Building Fund		0	64,553	63,009	1,544
Victims of Domestic Violence		599	316	0	915
Civil Defense		2,982	12,603	14,928	657
Local Emergency Planning		7,577	3,727	2,409	8,895
Sheriff Civil Fees		0	3,454	0	3,454
Peace Officer Safety Training		0	639	639	0
Prosecuting Attorney Bad Check		3,695	5,769	4,763	4,701
Emergency Road and Bridge		96,861	0	96,861	0
Keller Memorial Hospital		106,619	341,964	448,583	0
Levee Districts		0	177,586	177,586	0
Road Sign		2,292	80	582	1,790
K-9 Drug Dog		156	5	161	0
MOPAC Lumber Relocation		7,927	0	7,927	0
FEMA-Flood Buy Out		495	0	495	0
CDBG-Flood Buy Out		255	4,587	4,842	0
Commercial Flood Buy Out		0	5,267	5,267	0
Emergency Buyout		29,012	47,609	76,621	0
Circuit Clerk Interest		7,136	3,055	0	10,191
Law Library		7,029	1,265	0	8,294
Howard County Economic Development		0	34,625	161	34,464
Total	$	1,139,717	3,684,037	3,519,589	1,304,165

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 210,000	189,021	-20,979	175,000	171,106	-3,894
Sales taxes	230,000	226,107	-3,893	230,000	221,183	-8,817
Intergovernmental	299,700	241,911	-57,789	239,400	307,783	68,383
Charges for services	217,360	168,476	-48,884	207,000	151,026	-55,974
Interest	30,000	32,635	2,635	9,000	21,351	12,351
Other	482,940	138,131	-344,809	454,930	512,640	57,710
Total Receipts	1,470,000	996,281	#VALUE!	1,315,330	1,385,089	#VALUE!
DISBURSEMENTS						
County Commission	58,295	54,330	3,965	57,350	54,171	3,179
County Clerk	46,620	47,261	-641	49,914	46,310	3,604
Elections	22,000	21,711	289	10,450	7,792	2,658
Buildings and grounds	148,943	43,147	105,796	126,987	43,335	83,652
Employee fringe benefits	58,400	55,370	3,030	55,182	41,574	13,608
County Treasurer	20,135	20,029	106	19,895	19,714	181
County Collector	61,705	56,444	5,261	60,697	55,823	4,874
Ex Officio Recorder of Deeds	15,393	9,266	6,127	14,945	9,186	5,759
Circuit Clerk	28,250	11,691	16,559	14,300	5,626	8,674
Associate Circuit Court	20,250	12,901	7,349	19,550	14,666	4,884
Jury	7,900	1,943	5,957	6,900	2,014	4,886
Court administration	35,339	23,855	11,484	39,504	17,284	22,220
Computer operation	19,714	18,261	1,453	17,952	17,425	527
Public Administrator	6,160	5,552	608	5,980	5,745	235
Prosecuting Attorney	73,228	65,410	7,818	79,850	71,602	8,248
Juvenile Officer	78,613	94,221	-15,608	80,769	110,661	-29,892
County Coroner	9,450	5,982	3,468	7,050	5,922	1,128
Domestic Violence	400	400	0	200	0	200
Civil defense	17,375	12,463	4,912	17,375	13,919	3,456
Keller Hospital Building	76,494	91,127	-14,633	243,695	60,832	182,863
Public health and welfare services	146,550	151,208	-4,658	107,119	98,916	8,203
Child Support Division	858	722	136	649	1,160	-511
Presiding Circuit Judge	5,000	0	5,000	5,000	0	5,000
Other	117,012	106,397	10,615	136,317	93,708	42,609
Emergency Fund	44,100	0	44,100	39,160	0	39,160
Transfers out	97,015	131,861	-34,846	168,740	127,177	41,563
Total Disbursements	1,215,199	1,041,552	173,647	1,385,530	924,562	460,968
RECEIPTS OVER (UNDER) DISBURSEMENTS	254,801	-45,271	#VALUE!	-70,200	460,527	#VALUE!
CASH, JANUARY 1	599,675	599,675	0	138,541	139,148	607
CASH, DECEMBER 31	$ 854,476	554,404	#VALUE!	68,341	599,675	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 200,000	146,998	-53,002	162,000	134,865	-27,135
Sales taxes	140,051	195,515	55,464	225,000	191,264	-33,736
Intergovernmental	751,700	597,957	-153,743	808,200	378,671	-429,529
Charges for services	42,000	11,777	-30,223	60,000	41,075	-18,925
Interest	9,600	18,872	9,272	15,000	21,924	6,924
Other	2,000	44,259	42,259	228,000	1,956	-226,044
Transfers in	193,515	0	-193,515	0	96,861	96,861
Total Receipts	1,338,866	1,015,378	-323,488	1,498,200	866,616	-631,584
DISBURSEMENTS						
Salaries	231,000	205,451	25,549	212,500	209,180	3,320
Employee fringe benefits	61,500	43,629	17,871	62,353	35,696	26,657
Supplies	50,000	38,399	11,601	37,500	40,501	-3,001
Insurance	12,000	21,430	-9,430	10,000	11,164	-1,164
Road and bridge materials	20,000	22,589	-2,589	0	13,821	-13,821
Equipment repairs	70,000	47,069	22,931	67,000	53,727	13,273
Equipment purchases	200,000	132,655	67,345	350,000	273,248	76,752
Construction, repair, and maintenance	665,000	434,910	230,090	600,000	214,673	385,327
Other	117,752	110,306	7,446	153,814	84,229	69,585
Total Disbursements	1,427,252	1,056,438	370,814	1,493,167	936,239	556,928
RECEIPTS OVER (UNDER) DISBURSEMENTS	-88,386	-41,060	47,326	5,033	-69,623	-74,656
CASH, JANUARY 1	69,649	400,285	330,636	469,309	469,908	599
CASH, DECEMBER 31	$ -18,737	359,225	377,962	474,342	400,285	-74,057

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 90,740	92,660	1,920	83,540	73,694	-9,846
Charges for services	2,000	4,870	2,870	2,000	3,137	1,137
Interest	500	928	428	600	448	-152
Other	340	784	444	370	320	-50
Transfers in	17,815	9,500	-8,315	18,740	21,600	2,860
Total Receipts	111,395	108,742	-2,653	105,250	99,199	-6,051
DISBURSEMENTS						
Assessor	110,555	108,667	1,888	102,970	98,971	3,999
Total Disbursements	110,555	108,667	1,888	102,970	98,971	3,999
RECEIPTS OVER (UNDER) DISBURSEMENTS	840	75	-765	2,280	228	-2,052
CASH, JANUARY 1	1,643	1,642	-1	1,414	1,414	0
CASH, DECEMBER 31	$ 2,483	1,717	-766	3,694	1,642	-2,052

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,000	3,012	12	3,000	1,900	-1,100
Interest	50	37	-13	50	37	-13
Other	50	0	-50	0	0	0
Total Receipts	3,100	3,049	-51	3,050	1,937	-1,113
DISBURSEMENTS						
Sheriff	3,000	2,508	492	2,000	2,678	-678
Total Disbursements	3,000	2,508	492	2,000	2,678	-678
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	541	441	1,050	-741	-1,791
CASH, JANUARY 1	582	582	0	1,323	1,323	0
CASH, DECEMBER 31	$ 682	1,123	441	2,373	582	-1,791

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 994	234	-760	994	432	-562
Interest	6	2	-4	6	4	-2
Total Receipts	1,000	236	-764	1,000	436	-564
DISBURSEMENTS						
Prosecuting Attorney	850	251	599	850	552	298
Total Disbursements	850	251	599	850	552	298
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	-15	-165	150	-116	-266
CASH, JANUARY 1	90	90	0	206	206	0
CASH, DECEMBER 31	$ 240	75	-165	356	90	-266

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 240,000	226,112	-13,888	235,000	221,187	-13,813
Interest	900	839	-61	750	794	44
Other	7,500	2,113	-5,387	15,000	8,606	-6,394
Transfers in	112,000	112,406	406	150,000	79,285	-70,715
Total Receipts	360,400	341,470	-18,930	400,750	309,872	-90,878
DISBURSEMENTS						
Sheriff	199,047	201,906	-2,859	203,541	195,391	8,150
Jail	155,930	139,411	16,519	145,817	113,685	32,132
Other	21,556	0	21,556	0	0	0
Total Disbursements	376,533	341,317	35,216	349,358	309,076	40,282
RECEIPTS OVER (UNDER) DISBURSEMENTS	-16,133	153	16,286	51,392	796	-50,596
CASH, JANUARY 1	1,364	1,364	0	570	568	-2
CASH, DECEMBER 31	$ -14,769	1,517	16,286	51,962	1,364	-50,598

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 6,400	4,978	-1,422	5,000	4,298	-702
Interest	780	651	-129	650	717	67
Total Receipts	7,180	5,629	-1,551	5,650	5,015	-635
DISBURSEMENTS						
Ex Officio Recorder of Deeds	24,739	16,628	8,111	24,304	6,378	17,926
Total Disbursements	24,739	16,628	8,111	24,304	6,378	17,926
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,559	-10,999	6,560	-18,654	-1,363	17,291
CASH, JANUARY 1	18,339	18,339	0	19,702	19,702	0
CASH, DECEMBER 31	$ 780	7,340	6,560	1,048	18,339	17,291

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales and use taxes	$ 220,000	228,864	8,864	364,644	220,400	-144,244
Interest	6,000	4,215	-1,785	0	6,444	6,444
Total Receipts	226,000	233,079	7,079	364,644	226,844	-137,800
DISBURSEMENTS						
Salaries	156,000	169,640	-13,640	130,000	129,992	8
Office expenditures	7,147	5,215	1,932	8,156	10,942	-2,786
Equipment	53,750	42,955	10,795	104,192	80,502	23,690
Phone services	26,500	26,337	163	22,244	27,190	-4,946
Mileage and training	1,000	1,625	-625	3,000	4,575	-1,575
Other	2,945	2,119	826	1,500	1,918	-418
Total Disbursements	247,342	247,891	-549	269,092	255,119	13,973
RECEIPTS OVER (UNDER) DISBURSEMENTS	-21,342	-14,812	6,530	95,552	-28,275	-123,827
CASH, JANUARY 1	136,052	140,793	4,741	0	169,068	169,068
CASH, DECEMBER 31	$ 114,710	125,981	11,271	95,552	140,793	45,241

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHELTERED SERVICES BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 62,100	73,750	11,650	57,035	68,928	11,893
Interest	2,500	5,015	2,515	1,500	2,997	1,497
Loan Proceeds	0	0	0	0	10,000	10,000
Total Receipts	64,600	78,765	14,165	58,535	81,925	23,390
DISBURSEMENTS						
Office and equipment expenses	1,495	1,077	418	930	752	178
Client services	82,200	58,555	23,645	82,126	70,428	11,698
Loan Repayment	0	10,000	-10,000	0	10,000	-10,000
Total Disbursements	83,695	69,632	14,063	83,056	81,180	1,876
RECEIPTS OVER (UNDER) DISBURSEMENTS	-19,095	9,133	28,228	-24,521	745	25,266
CASH, JANUARY 1	40,484	66,490	26,006	49,584	65,745	16,161
CASH, DECEMBER 31	$ 21,389	75,623	54,234	25,063	66,490	41,427

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
KELLER BUILDING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Rental income	$ 50,060	96,135	46,075
Interest	300	239	-61
Transfer in	25,700	0	-25,700
Total Receipts	76,060	96,374	20,314
DISBURSEMENTS			
Personnel costs	24,544	27,096	-2,552
Building, office and rental expenses	51,950	68,320	-16,370
Total Disbursements	76,494	95,416	-18,922
RECEIPTS OVER (UNDER) DISBURSEMENTS	-434	958	1,392
CASH, JANUARY 1	1,544	1,544	0
CASH, DECEMBER 31	$ 1,110	2,502	1,392

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VICTIMS OF DOMESTIC VIOLENCE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 400	314	-86
Interest	50	47	-3
Total Receipts	450	361	-89
DISBURSEMENTS			
Domestic violence shelter	0	400	-400
Total Disbursements	0	400	-400
RECEIPTS OVER (UNDER) DISBURSEMENTS	450	-39	-489
CASH, JANUARY 1	915	915	0
CASH, DECEMBER 31	$ 1,365	876	-489

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIVIL DEFENSE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 7,550	5,741	-1,809
Interest	75	27	-48
Transfer in	2,825	8,985	6,160
Total Receipts	10,450	14,753	4,303
DISBURSEMENTS			
Personnel	10,450	10,016	434
Office and equipment	6,925	2,447	4,478
Total Disbursements	17,375	12,463	4,912
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,925	2,290	9,215
CASH, JANUARY 1	657	657	0
CASH, DECEMBER 31	$ -6,268	2,947	9,215

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 3,000	2,836	-164
Interest	300	408	108
Total Receipts	3,300	3,244	-56
DISBURSEMENTS			
Office and Equipment	1,375	508	867
Training	450	0	450
Total Disbursements	1,825	508	1,317
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,475	2,736	1,261
CASH, JANUARY 1	8,895	8,895	0
CASH, DECEMBER 31	$ 10,370	11,631	1,261

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 5,500	8,461	2,961
Interest	60	175	115
Total Receipts	5,560	8,636	3,076
DISBURSEMENTS			
Sheriff	7,990	6,435	1,555
Total Disbursements	7,990	6,435	1,555
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,430	2,201	4,631
CASH, JANUARY 1	3,454	3,454	0
CASH, DECEMBER 31	$ 1,024	5,655	4,631

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PEACE OFFICER SAFETY TRAINING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 639	1,123	484
Total Receipts	639	1,123	484
DISBURSEMENTS			
Sheriff	639	1,123	-484
Total Disbursements	639	1,123	-484
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Howard County Sheltered Services Board or the Howard County 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Keller Building Fund	1997
Victims of Domestic Violence Fund	1997
Civil Defense Fund	1997
Local Emergency Planning Fund	1997
Sheriff Civil Fees Fund	1997
Peace Officer Safety Training Fund	1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Emergency Road and Bridge Fund	1997
Keller Memorial Hospital Fund	1997
Levee Districts Fund	1998 and 1997
CDBG-Regional Port Authority Fund	1998

Road Sign Fund	1998 and 1997
K-9 Drug Dog Fund	1997
MOPAC Lumber Relocation Fund	1997
FEMA-Flood Buy Out Fund	1997
CDBG-Flood Buy Out Fund	1997
Commercial Flood Buy Out Fund	1997
Emergency Buyout Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Howard County Economic Development Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1997
911 Board Fund	1998
Keller Building Fund	1998
Victims of Domestic Violence Fund	1998
Peace Officer Safety Training Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the Special Road and Bridge Fund for the year ended December 31, 1998. However, the budget of that fund also included other resources available to finance current or future disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

Although Section 50.740, RSMo 1994, requires a balanced budget, deficit balances were budgeted in the Law Enforcement Sales Tax Fund and Civil Defense Fund for the year ended December 31, 1998.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,

Law Enforcement Training Fund	1998 and 1997
Prosecuting Attorney Training Fund	1998 and 1997
Sheriff Civil Fees Fund	1997
Peace Officer Safety Training Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Emergency Road and Bridge Fund	1997
Keller Memorial Hospital Fund	1997
Levee Districts Fund	1998 and 1997
CDBG-Regional Port Authority Fund	1998
Road Sign Fund	1998 and 1997
MOPAC Lumber Relocation Fund	1997
FEMA-Flood Buy Out Fund	1997
CDBG-Flood Buy Out Fund	1997
Commercial Flood Buy Out Fund	1997
Emergency Buyout Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Howard County Economic Development Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The 911 Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

The Howard County Sheltered Services Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

3. Year 2000 (Y2K) Compliance

The County Collector's office programs have been changed, transmitted, and tested per the county's system programmer. The county has paid the programmer the amount of $1,600 for these changes.

The County Assessor's office deals only in the current year (one year at a time) and therefore will not be affected with the Year 2000 (to the extent that the four year feature will not be affected). A letter from the county's system programmer to the County Collector indicated that if her file server (which is shared by the County Collector, County Assessor, County Clerk, and County System Analyst) and workstations will roll over to January 1, 2000, so will those of the other offices.

The County Clerk's office is in the process of purchasing a new accounting system which is guaranteed Year 2000 compatible. The County Clerk and County System Analyst offices will have to upgrade their systems to include Windows 95. The approximate cost of this conversion, new program, and training will be $2,500. The training and conversion should be completed by the end of the second quarter in 1999 (by the end of the third quarter at the very latest) and then all information from previous quarters will be converted to the new program. Once the County Clerk starts using the state computer for voter registration, it is assumed the state will see that the program is Year 2000 compatible. However, if the old voter registration program continues to be used, it will be compatible since no dates are used.

The work done by the County System Analyst (aside from the accounting, books, bills, etc., which use programs already discussed) is mainly on Microsoft Works. This will change once the county is upgraded to Windows 95. These programs will be Year 2000 compatible.

At the end of the year all data and program files will be copied onto tapes in the event that some unforeseen disaster should occur from the Year 2000. Therefore, all information will be updated and it will only be a matter of determining why that individual program is not functioning properly and copying the data back into the programs. Howard County is ready for the Year 2000.

Schedule

HOWARD COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1.	**Omission of Budgetary Information**

The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the two years ended December 31, 1998. The lack of budgetary information for these funds is a significant omission from the county's financial statements. Receipts which were not budgeted totaled $209,385 and $707,104 in 1998 and 1997, respectively. Disbursements which were not budgeted totaled $219,186 and $904,834 in 1998 and 1997, respectively.

Chapter 50, RSMo 1994 and RSMo Cumulative Supp. 1998, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials would be able to more effectively evaluate all county financial resources.

WE RECOMMEND the County Commission and other applicable officials ensure budgets are prepared for all county funds as required by state law.

AUDITEE'S RESPONSE

We will implement this recommendation.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOWARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Howard County, Missouri, on the applicable finding in our prior audit report issued for the three years ended December 31, 1996.

2. County Budgets and Financial Reporting

A. Budgets were not prepared for numerous county funds.

Recommendation:

The County Commission:

A. Ensure that budgets are prepared for all funds held in the county treasury. In addition, the County Commission should obtain financial information for all special revenue funds held outside the county treasury prior to finalization of the annual budgets, and include all applicable budgets in the county's consolidated budget.

Status:

A. Not implemented. See finding number 98-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HOWARD COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. That report expressed a qualified opinion on the special-purpose financial statements.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Howard/Cooper County Port Authority is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the year ended June 30, 1998.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Howard County but do not meet the criteria for inclusion in the written

report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Budgets and Financial Reporting

A. Actual expenditures exceeded budgeted amounts for the following funds:

Fund		Year Ended December 31, 1998	1997
Law Enforcement Training	$	N/A	678
911 Board		549	N/A
Keller Building		18,922	N/A
Victims of Domestic Violence		400	N/A
Peace Officer Safety Training		484	N/A

While budget to actual data is provided to the County Commission monthly, the county's procedures and reports are not resulting in effective monitoring of various budgets.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cumulative Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

B. The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activities of the county. Cash reconciliations were often incomplete or included incorrect amounts. Without preparing adequate cash reconciliations, there is less assurance that actual receipts, disbursements, and cash balance data presented in the budget is accurate. Several inaccuracies were noted in the information presented in the county's budget documents. Receipts such as county aid road trust (CART) monies, and federal and state reimbursement monies were classified in the "Other" receipts category rather than a more specific and appropriate revenue category. There was a failure to consistently reflect transfers between county funds, some transfers between funds were classified in the "Other" receipts or disbursements category, and some disbursements classified as transfers out were actually distributions to other political subdivisions. Adjustments have been made to the audited financial statements to correct these problems.

For some funds budgeted receipts and/or disbursements varied significantly from actual receipts and/or disbursements. Unreasonable estimates result in the anticipated cash balance being significantly over or understated and reduce the effectiveness of the budget as a management tool.

We also noted that the General Revenue Fund budget includes budget estimates and actual receipts and disbursements activity of some other funds, such as the Keller Building, Civil Defense, Local Emergency Planning, and Victims of Domestic Violence funds, although these funds are now separately budgeted and this financial data is also reported in those budgets. The County Commission, County Clerk, and County Treasurer need to identify all county funds, make decisions as to how they plan to account for and share information regarding the funds, and ensure that all funds are appropriately budgeted.

C. Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's office as a part of the annual budget.

The county does not have a procedure in place to track federal awards for the preparation of the SEFA. No expenditures information was provided on the county's SEFA for the years ended December 31, 1998 and 1997.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

D. The county's annual published financial statements did not include any financial activity for many county funds. Additionally, for some funds, the financial activity from the wrong year was presented, and for other funds, budgeted rather than actual data was included. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Sections 50.800 and 50.810, RSMo 1994, require financial statements to be prepared and published in a local newspaper. In addition to information regarding the county's indebtedness, assessed valuations, and property tax rates, the published financial statements must show actual receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

Conditions similar to A, B, and D were noted in our prior report.

WE RECOMMEND:

A. The County Commission not authorize warrants in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.

B. The County Commission and County Clerk prepare complete and accurate budgets, improve efforts to budget more reasonable receipts and disbursements estimates, and identify and budget all county funds appropriately.

C. The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

D. The County Commission ensure financial information as provided for by law is properly presented in the published financial statements for all county funds.

AUDITEE'S RESPONSE

A. We will take this recommendation under consideration.

B&D. We will implement these recommendations.

C. This recommendation will be implemented.

2. Payroll and Personnel Procedures

A. Several years ago the County Commission had a comprehensive personnel policies manual developed for the county. However, the manual has never been officially approved by the County Commission and the policies in the manual are not consistently enforced. A comprehensive, officially adopted personnel policies manual is necessary to clearly outline the expectations and benefits of employment, and can also help ensure that management's policies are fairly and consistently applied to all county employees.

B. Each county official and/or department is responsible for monitoring and documenting time worked by employees and maintaining vacation leave, sick leave, and compensatory time records. Time sheets are not submitted to the County Clerk for some employees. For these employees, the County Clerk relies upon payroll vouchers prepared and approved by the appropriate official as support for the payroll expenditure.

Our review of the various officials' payroll records revealed some concerns. Holiday pay was not consistently calculated for some Sheriff's department employees. Information on summary records (such as leave taken) maintained for the road and bridge employees

sometimes differed from the original time sheets. While general explanations of possible causes were offered, specific reasons for noted discrepancies could not be provided. County personnel indicated that road and bridge employees sometimes use vacation and sick leave interchangeably. Because accumulated vacation leave is paid upon termination, this procedure could result in improper amounts being paid. In some offices employees are responsible for tracking their own leave taken and hours worked with no oversight by the official. It appears that unexplained discrepancies, errors, and inconsistencies are more likely to occur given the county's decentralized payroll procedures and lack of formally adopted countywide personnel policies. Monthly time records should be submitted to the County Clerk by all employees each payroll period and retained to document the validity of the payroll disbursements.

The County Commission needs to establish and formally adopt countywide personnel policies. If inconsistent application of policies or instances of noncompliance with established policies are identified, timely action should be taken to determine the cause and rectify the problems. Improved oversight of the payroll process by the County Clerk is necessary and could be better accomplished, at least in part, by establishing centralized payroll, leave, and compensatory time records. Centralized records aid in determining final compensation and better document compliance with the Fair Labor Standards Act.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

A. Adopt and enforce countywide personnel policies.

B. Require the County Clerk to maintain centralized records of vacation leave, sick leave, and compensatory time earned, taken, and paid for all county employees. In addition, all employees should be required to submit time sheets to the County Clerk.

AUDITEE'S RESPONSE

A. We are currently working on implementing this recommendation and understand the importance of countywide personnel policies.

B. We will take this under consideration. This issue will be addressed as a part of our personnel policies.

3. Keller Building

As discussed in our prior report, the Keller Memorial Hospital ceased operations in June 1995 and the hospital board of trustees functioned as the governing body until the board was dissolved in

May 1997. In June 1997, approximately $390,000 was transferred from closed hospital bank accounts to the county's General Revenue Fund. Of this amount, approximately $285,000 was property taxes paid by Howard County taxpayers for a hospital that was not in operation. Since that time the building has been rented to various public and private tenants. We previously recommended the county develop short-term and long-term plans regarding the building and consider returning the property tax windfall to taxpayers via a future tax reduction.

The county is continuing to utilize the building as rental property and has not actively pursued other ideas, such as selling the building or renovating it for use as county offices. A review of building rental receipts and related operating costs during the audit period and currently, shows current operations are just breaking even. As a result, the county is not accumulating any reserves to offset potential significant future building repair needs. Significant repairs needed on the building could adversely affect the county's financial position. In addition, the county's short and long term plans for the building have not been formalized. To ensure county assets are effectively utilized and related potential liabilities are minimized, the county needs to develop a plan regarding the final use or disposition of the building.

No property tax reduction was made during the audit period to offset the previous hospital property tax windfall and the County Commission has verbally indicated they have no plans to do this.

WE RECOMMEND the County Commission continue to consider options for use or disposition of the building, monitor rental receipts as compared to current and potential significant repair costs, and develop a formal plan for the final use or disposition of the building. The County Commission should also formally document its decision on returning the property tax windfall to the taxpayers via a future tax reduction.

AUDITEE'S RESPONSE

The county's 911 unit and health department along with some other government offices are housed in this building. Although no long term decision has been made regarding the building, the county has negotiated for the sale of the building and will consider other offers. The property tax situation has been further reviewed and the various laws researched, and no requirement to refund these monies has been found. Further consideration will be given to this issue.

4. Salary Commission Meeting

The Howard County Salary Commission has the statutory authority to set salaries of the county's elected officials. County officials' salaries are based upon the county's assessed valuation, population, training attendance, or a combination of these factors. At the September 8, 1997, meeting the salary commission determined there would be no salary increases other than the assessor's mandated increase and authorized the County Commission to approve cost of living

adjustments to officials' compensation. The salary commission again met on December 14, 1998, and set salaries for all county officials at 100 percent of the maximum allowable compensation (which represents a salary increase) effective at the beginning of each official's next term of office. This decision will increase elected officials future salaries by approximately $56,000 annually. Of this amount, approximately $47,000 in salary increases took effect in 1999, while the remaining $9,000 in salary increases takes effect in 2001.

RSMo 50.333, Cumulative Supp. 1998, provides for the salary commission to meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with their next term of office. While the County Commission indicated the county consulted with the Prosecuting Attorney and an outside attorney, no written legal opinion was obtained to support the appropriateness of the December 1998 meeting and any decisions made.

The County Commission should review this situation with the Prosecuting Attorney and ensure all future salary commission meetings are held when provided for by law and all decisions are thoroughly documented.

WE RECOMMEND the County Commission consult with the Prosecuting Attorney regarding the propriety of the December 1998 meeting and decisions. Salary Commission minutes should clearly document all decisions and include written opinions from the Prosecuting Attorney as applicable.

AUDITEE'S RESPONSE

We consulted with our Prosecuting Attorney, an outside attorney, and other entities before making our decisions. We followed the legal advice we obtained. We believe we were in compliance with the law.

5. Tax Book Controls and Procedures

A. The County Clerk does not maintain an account book with the County Collector . An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Additionally, Section 51.150.2, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can also be used by the County Commission to verify the County Collector's annual settlements.

B. The County Assessor enters the assessment information into the county's computer system. The County Collector obtains the tax rates from the County Clerk, enters them into the computer system and the EDP operator generates the tax books. There is no evidence that the County Clerk is adequately verifying the tax books charged to the County Collector. Sections 137.290 and 140.050, RSMo 1994, require the county clerk to extend tax books and to charge the county collector with the total amount of the current tax books and the aggregate amount of taxes and fees in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide a system of checks and balances. Failure to perform reviews of the tax books and test some individual tax bill computations may result in the failure to discover errors and irregularities.

C. Additions and abatements of property taxes are not approved by the County Commission as they occur. At the end of the tax year a computer-generated listing of all additions and abatements is prepared and signed by the County Commission. This listing serves as the court order to add or abate the property taxes.

Section 137.260, RSMo 1994, requires that the tax book only be changed by the clerk of the county commission under order of the county commission. For the County Commission to properly monitor additions and abatements, each should be approved by the County Commission periodically throughout the year.

Similar conditions were noted in our two prior reports.

WE AGAIN RECOMMEND:

A. The County Clerk establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

B. The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.

C. The County Commission review and approve all additions and abatements on a timely basis.

AUDITEE'S RESPONSE

A&B. I will work toward complying with state law.

C. We will try to implement this recommendation.

6. General Fixed Assets

Several prior audit reports have addressed the inadequacy of the county's general fixed asset records and procedures. This condition has not improved since our last audit. Apparently no effort has been made by the County Clerk to maintain property records; to number, tag, or otherwise identify property items; or, to perform annual inventories of county-owned personal property and quarterly inspections of county-owned land and buildings.

Adequate general fixed asset procedures and records are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage. Inventories and proper tagging of county property are necessary to ensure fixed asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets. Inspections are necessary to evaluate the physical condition and usage of county land and buildings and ensure they are properly maintained. Section 51.155, RSMo Cumulative Supp. 1998, outlines the County Clerk's responsibilities regarding general fixed assets.

WE AGAIN RECOMMEND the County Clerk perform and document inspections and inventories of county-owned property; appropriately tag, number, or otherwise identify all county property; and create a complete general fixed asset record. Once these procedures are performed and the property records prepared, the County Clerk needs to develop procedures to record all property additions and dispositions of general fixed assets as they occur and perform periodic inspections and inventories.

AUDITEE'S RESPONSE

We are working toward complying with the recently passed House Bill No. 402, which outlines the county's responsibilities regarding general fixed assets.

7. Prosecuting Attorney

The current and the former Prosecuting Attorney have not had an office in the courthouse. Duties as county Prosecuting Attorney have been performed from offices used in the operation of their private law practices. As discussed in prior audit reports, the county pays the Prosecuting Attorney $200 each month for use of his equipment. These equipment items are owned by the Prosecuting Attorney personally and are used for both county and private practice work. While the county does have a written agreement with the current Prosecuting Attorney outlining a set amount per month to be paid to compensate the Prosecuting Attorney for maintenance and use of equipment and utilities provided entirely by him, there is no documentation to support how the monthly amount was derived.

Additionally, the Prosecuting Attorney employs one part-time and one full-time secretary. Apparently the part-time secretary performs only county work and is compensated from county

funds. The full-time secretary performs duties related to county and private practice work and her salary expense is shared by the county and the private practice. Time sheets detailing days and hours worked by these secretaries are not submitted to the county to support payroll expenditures. No written documentation exists to document the adequacy of the monthly equipment rental amount or the allocation of employees' time.

The county should enter into a more specific written agreement with the Prosecuting Attorney outlining what the arrangements are, what rent, equipment, and/or personnel will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained. Time sheets supporting time worked by Prosecuting Attorney secretaries should also be prepared and submitted to the county.

It is important to document the adequacy of the financial arrangement between the Prosecuting Attorney and the county and the basis for the allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work efforts to avoid the appearance of impropriety, and alleviate questions regarding possible inappropriate use of public resources.

WE RECOMMEND the County Commission and the Prosecuting Attorney improve the contract agreement for this arrangement and prepare documentation on the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between his county and private practice resources and work. In addition, time sheets should be prepared and submitted to the county by the Prosecuting Attorney's secretaries.

AUDITEE'S RESPONSE

The County Commission indicated they are in the process of implementing this recommendation.

The Prosecuting Attorney indicated the full-time employee who performs duties for the county and his private practice is now preparing a timesheet which is being submitted for each pay period to the county to support payroll expenditures. Written documentation will be maintained to support costs related to the use and maintenance of office equipment.

8. Circuit Clerk's Controls and Procedures

A. No formal procedures have been established to ensure all accrued costs are adequately identified and followed up on. A listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. When a case is closed and the costs determined, the Circuit Clerk prepares and sends a cost bill to the defendant. If payment is not received, the Circuit Clerk does not initiate any further collection procedures. In addition, summary records are

not maintained of accrued cost balances and the Circuit Clerk does not periodically determine total accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.

The Circuit Clerk accepts partial payments of accrued costs and accumulates them until the entire balance has been collected. Our review of the open items listing noted many older cases contain balances which are insufficient to cover all costs charged to the case. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance in the case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated." Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

B. Checks totaling approximately $399 have been outstanding since the prior audit and are still carried on the books at December 31, 1998 If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

Sections 50.470 through 50.500, RSMo 1994, provide for certain monies to be turned over to the County Treasurer for credit to the Unclaimed Fees Fund and Sections 447.500 through 447.595, RSMo 1994, provide for some unclaimed property to be distributed to the state's Unclaimed Property Section.

C. A proper segregation of duties does not exist within the Circuit Clerk's office for child support monies. The Circuit Clerk is responsible for all receipting, recording, depositing, disbursing and reconciliation procedures for this account.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic independent review of the records should be performed and documented.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Circuit Clerk:

A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection. Review older cases along with the Circuit Judge and determine the appropriate disposition of inactive cases.

B. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

A. I will consider this recommendation and discuss with the Circuit Judge what action needs to be taken.

B. I will try to implement this recommendation.

C. With the number of employees in my office segregation is difficult. Once the centralized collection of all child support monies by the state takes effect this will no longer be an issue.

9. Sheriff's Accounting Controls and Procedures

A. Accounting and bookkeeping duties are not adequately segregated. The bookkeeper performs all the duties of receiving, recording, depositing, disbursing, and reconciling for the Sheriff's bank account. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

B. The Sheriff's office does not have adequate controls in place to ensure the proper safeguarding of receipts from theft, misuse or loss. Monies received are not deposited timely and intact, and checks are not restrictively endorsed immediately upon receipt. Monies received from February 1, 1999 to February 4, 1999, totaling approximately $1,370 (which included $821 in cash) were deposited on February 4, 1999. The composition of receipts is not reconciled to the composition of deposits and cash receipts are sometimes used to cash personal checks for employees. It was also noted that partial payments on garnishments are not receipted, deposited, and disbursed until the court order is paid in full, which could be a month to several months later.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be receipted and deposited intact and daily or when accumulated receipts exceed $100, the practice of allowing employees to cash personal checks should be discontinued and checks and money orders should be restrictively endorsed immediately upon receipt.

Similar conditions were noted in our prior report.

WE RECOMMEND the Sheriff:

A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.

B. Promptly receipt all monies received, deposit all receipts intact and daily or when accumulated receipts exceed $100, discontinue the practice of allowing employees to cash personal checks, and restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

A. I will implement this recommendation by performing periodic reviews of the records.

B. This recommendation will be implemented. We no longer cash employee checks.

10. Health Department Accounting Controls and Procedures

Our review of the health department's receipting and transmittal procedures indicated the following concerns.

A. The health department receives numerous small donations for providing various tests and immunizations. Our review indicated that some of these monies are not recorded on the donations receipt log. In addition, while the method of payment (cash, check, money order, etc.) has been recorded on the donations log in the past, it is not currently being recorded. It was also noted that birth and death certificate receipt logs do not indicate the method of payment.

To ensure receipts are accounted for properly and transmitted intact, all receipts should be recorded on the various receipt logs, the method of payments received should be indicated, and the composition of recorded receipts should be reconciled to the composition of amounts transmitted to the County Treasurer.

B. Receipts are not always transmitted to the County Treasurer intact on a timely basis. Transmittals to the County Treasurer are made approximately twice a month regardless of when monies are received and generally contain a significant amount of cash. In addition, the health department retains small cash amounts from transmittals to provide change and this change fund is not maintained at a constant amount.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly transmitted, receipts should be transmitted intact on a daily basis or when accumulated receipts exceed $100, and the change fund should be maintained at a constant amount.

WE RECOMMEND the Health Department:

A. Record all receipts, including method of payment, on the receipt logs and reconcile the composition of receipts to the composition of transmittals to the County Treasurer.

B. Transmit all monies intact to the County Treasurer on a timely basis and maintain the change fund at a constant amount.

AUDITEE'S RESPONSE

The Health Department Administrator provided the following responses:

A. All transactions are now being recorded on receipt logs. Each entry in the general ledger now includes an indication of the service, receipt number, date, method of payment, and amount of payment. Entries into the vital records log include the date, name, requestor, amount, and method of payment. The receipts are reconciled to the transmittals to the County Treasurer at the time of delivery. Record of this is maintained in the receipt logs. Beginning in November 1999, the health department will reconcile the composition of receipts to the composition of transmittals and record this in the receipt logs.

B. All monies are transmitted to the County Treasurer monthly. Record of the transmittal to the County Treasurer is maintained in the log. The beginning balance following transmittals to the County Treasurer is maintained at $100.

11. Howard County Handicapped Services Board Budgeting Procedures

Annual budgets approved by the board for 1998 and 1997 did not contain a summary of available resources and cash reconciliation, estimated revenues and appropriations and estimated ending fund balance, and actual receipts and disbursements data for each of the two preceding years.

Because no cash reconciliation was prepared there is less assurance that budget data is accurate. Our review indicated that actual cash, receipts, and disbursements as reflected on the budget documents did not agree to the accounting records. It was necessary to make adjustments to the financial statements to reflect this information.

Chapter 50, RSMo 1994, requires the budget present a complete financial plan for the ensuing year. Documenting a complete summary of available resources, a cash reconciliation, and accurate actual data from preceding years is necessary to present a complete financial plan.

WE RECOMMEND the Howard County Handicapped Services Board prepare a complete and accurate budget document.

AUDITEE'S RESPONSE

The Howard County Handicapped Services Board Treasurer indicated the board will make an effort to implement this recommendation.

This report is intended for the information of the management of Howard County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

HOWARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Howard County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 2.A. is omitted since the related follow-up appears in an earlier section of the report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Keller Memorial Hospital

A. The Keller Memorial Hospital ceased operations in June 1995. Neither the County Commission nor the hospital Board of Trustees adequately planned for the closing of the hospital and transfer of assets to the county. Without adequate monitoring, planning, or cost evaluations, the County Commission authorized a hospital levy to be extended in September 1996. As a result, $285,000 in hospital property taxes were paid by Howard County taxpayers for a hospital that was not in operation.

B. Procedures utilized when selling equipment items prior to and during the closing of the hospital were inadequate. In addition, the hospital did not maintain adequate records of its fixed assets.

Recommendation:

The County Commission:

A. Develop a short-term plan for the immediate handling of this property and a long-term plan to utilize the building for county purposes or sell the building. In the future, the County Commission needs to obtain adequate financial information prior to assessing related tax levies and the county should consider returning this property tax windfall to tax payers via a future tax reduction

B. Perform an inventory now and dispose of remaining unneeded equipment items and the County Clerk ensure the general fixed asset records are maintained and properly updated to reflect the acquisition of the property previously owned by the Keller Memorial Hospital Board of Trustees.

Status:

A. Not implemented. See MAR No. 3.

B. Partially implemented. While no inventory was performed, the county did hold an auction to dispose of unneeded hospital equipment. Property retained by the county has not been accounted for in general fixed asset records. For related comments, see MAR No. 6.

2. County Budgets and Financial Reporting

B. Expenditures in excess of approved budgeted expenditures were made from several funds.

C. Several inaccuracies were noted in the information presented in the county's budget documents.

D. The county's annual published financial statements did not include any financial activity of numerous county funds and did not present receipts or revenues and beginning and ending cash balances for any county funds.

E. As discussed in prior audit reports, the County Treasurer continued to maintain numerous bank accounts.

Recommendation:

The County Commission:

B. The County Commission not authorize warrants in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.

C. The County Clerk prepare complete and accurate budgets.

D. The County Commission ensure the published financial statements include the necessary information and all county funds as required by state law.

E. The County Commission work with the County Treasurer to reduce the number of county bank accounts.

Status:

B,C, & D. Not implemented. See MAR No. 1.

E. Partially implemented. The County Commission and County Treasurer discussed this issue subsequent to the prior audit and reduced the number of bank accounts. However, the county still maintains a large number of bank accounts and should consider reducing the number of accounts to simplify bookkeeping procedures. Although not repeated in the current report, our recommendation remains as stated above.

3. Payroll and Personnel Procedures

A. The personnel policies manual developed for the county had never been officially approved by the County Commission and the policies in the manual were not consistently enforced.

B. Centralized time and leave records were not maintained by the County Clerk for all employees.

Recommendation:

The County Commission:

A. Adopt and enforce a personnel policy.

B. Require the County Clerk to maintain centralized time and leave records.

Status:

A&B. Not implemented. See MAR No. 2.

4. County Disbursements

A. The county did not have a written agreement with the Prosecuting Attorney outlining what costs would be paid and what office personnel and equipment would be provided by the county and what would be provided by the Prosecuting Attorney's private law practice.

B. Law library disbursements were made from the General Revenue Fund instead of the Law Library Fund.

C. Randolph County used the incorrect percentage in assessing the expenses of the juvenile office which were prorated between Randolph County and Howard County, resulting in underbillings to Howard County of approximately $5,000.

Recommendation:

The County Commission:

A. And the Prosecuting Attorney formalize this arrangement and prepare documentation on the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between his county and private practice resources and work. In addition, time sheets should be prepared and submitted to the county by the Prosecuting Attorney's secretaries.

B. Ensure Law Library funds are utilized before paying for law library materials from General Revenue Fund.

C. Contact Randolph County regarding past billing errors and resolve this situation.

Status:

A. Partially implemented. The Prosecuting Attorney and the county entered into a written agreement which provides for the county to pay the Prosecuting Attorney $200 each month for maintenance and use of equipment he owns and for other office expenses, such as utilities. However, there is no supporting documentation to show how the agreed upon amount was determined. In addition, time sheets are not prepared and submitted to the county by the Prosecuting Attorney's secretaries. See MAR No. 7.

B. Not implemented. In 1998, $5,000 was transferred from the law library account to the General Revenue Fund. During the audit period approximately $10,400 was expended from the General Revenue Fund for law library materials. Although not repeated in the current report, our recommendation remains as stated above.

C. Partially implemented. Although no payment was made from Howard County to Randolph County regarding the $5,000 underbilling, the correct percentage is now being used to prorate expenses.

5. Tax Book Controls and Procedures

A. The County Clerk did not maintain an account book with the County Collector .

B. There was no evidence that the County Clerk was adequately verifying the tax books charged to the County Collector.

C. Additions and abatements of property taxes were not approved by the County Commission as they occurred. At the end of the tax year a computer-generated listing of all additions and abatements was prepared and signed by the County Commission. This listing served as the court order to add or abate the property taxes.

Recommendation:

A. The County Clerk establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

B. The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.

C. The County Commission review and approve all additions and abatements on a timely basis.

Status:

A-C. Not implemented. See MAR No. 5.

6. General Fixed Assets

No effort had been made by the county to maintain property records; to number, tag, or otherwise identify property items; or, to perform annual inventories of county-owned personal property and quarterly inspections of county-owned land and buildings.

Recommendation:

The County Clerk perform and document inspections and inventories of county-owned property; appropriately tag, number, or otherwise identify all county property; and, create a complete general fixed asset record. Once these procedures are performed and the property records prepared, the County Clerk needs to develop procedures to record all property additions and dispositions of general fixed assets as they occur and perform periodic inspections and inventories.

Status:

Not implemented. See MAR No. 6.

7. Prosecuting Attorney's Accounting Controls and Procedures

A. Monthly bank reconciliations were not performed and open items listing were not prepared for the bad check restitution account.

B. Accounting and bookkeeping duties were not adequately segregated.

C. Receipts were not always deposited intact or on a timely basis.

D. A cash control ledger was not maintained for bad check restitutions.

E. Bad check monies received by the Prosecuting Attorney's office were not always transmitted to the County Treasurer intact and on a timely basis.

Recommendation:

The Prosecuting Attorney:

A. Ensure monthly bank reconciliations and listings of liabilities are prepared and any discrepancies resolved. Efforts to investigate the unidentified monies should continue and any monies remaining unidentified should be disbursed in accordance with state law.

B. Adequately segregate accounting and bookkeeping duties to the extent possible and ensure that documented independent reviews of work are performed.

C. Ensure monies are deposited intact daily or when accumulated receipts exceed $100.

D. Ensure a cash control ledger which includes all receipts and disbursements, the method of disposition, and the cash balance, is maintained.

E. Ensure that fee monies are transmitted to the County Treasurer intact and on a timely basis.

Status:

A-E. Although these concerns continued throughout most of the audit period, the new Prosecuting Attorney implemented these recommendations in 1999.

8. Sheriff's Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated.

B. 1. Adequate bank reconciliations were not prepared and bank balances were not reconciled to the book balance.

2. Receipts were not deposited on a timely basis.

C. Complete and detailed mileage logs were not maintained for county-owned Sheriff's department vehicles.

D. Several years ago the Sheriff made a verbal agreement with the telephone company whereby the company discontinued disbursing the full amount of commissions to the Sheriff. A portion of the commissions earned were withheld by the company to pay for jail surveillance equipment purchased from this company. In addition, vendor invoices (totaling approximately $1200) for Sheriff's department equipment purchases and vehicle repairs were forwarded to the telephone company which then paid the vendors from telephone commissions earned by the Sheriff's department. The amounts paid were withheld from subsequent commission distributions to the county. No documentation of these transactions was retained.

E. The Sheriff's Department did not maintain invoices and other supporting documentation of expenditures made from the Domestic Cannabis Eradication/Suppression Program.

Recommendation:

The Sheriff:

A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.

B.1. Prepare adequate bank reconciliations on a monthly basis. Any difference should be investigated and explained on the reconciliation.

2. Deposit monies daily or when accumulated receipts exceed $100.

C. Maintain adequate mileage records on all county-owned patrol vehicles and review these records periodically for reasonableness.

D. Ensure that all telephone commissions are received by the county and transmitted to the custody of the County Treasurer. Any expenditures should be made through the county's normal budgetary and expenditure processes.

E. Ensure proper documentation of grant expenditures is retained.

Status:

B.1., C&E. Implemented.

A& B.2. Not implemented. See MAR No 9.

D. Implemented. Telephone commission monies are now transmitted to the County Treasurer for deposit into General Revenue. Portions of the commissions continue to be withheld to pay off purchase agreements entered into by the former Sheriff; however, no similar arrangements were noted during this audit period.

9. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures

A. The method of payment was not indicated on the Circuit Clerk's receipt slips or in the Ex Officio Recorder of Deeds' fee book.

B. At December 31, 1996, twenty-seven checks in the Circuit Clerk's checking account totaling $498 had been outstanding for more than two years.

C. Receipts were not deposited intact by the Ex Officio Recorder of Deeds. Cash was withheld from deposits for making cash refunds.

D. The duties of receiving, recording, and depositing monies for the child support account were not adequately segregated.

E. Formal procedures had not been established to ensure all accrued costs were not adequately identified and followed up on.

Recommendation:

The Circuit Clerk and the Ex Officio Recorder of Deeds:

A. Indicate the method of payment on all receipts and reconcile total cash, checks, and money orders to bank deposits.

B. Attempt to identify and/or disburse all unidentified monies and old outstanding checks through the applicable statutory provisions.

C. Deposit all monies intact. In addition, all refunds should be made by check.

D. Adequately segregate accounting duties and/or provide for independent and documented reviews of accounting records.

E. Establish procedures to follow up and collect costs that accrue to the court. Review older cases along with Circuit Judge and determine the appropriate disposition of inactive cases.

Status:

A. Implemented.

B,D, & E. Not implemented. See MAR No. 8.

C. Partially implemented. Deposits are made intact. However, cash is sometimes received back from deposits so that cash refunds can be made. Although not repeated in the current report, our recommendation remains stated above.

10. Collector's Proposition C Calculations

The County Collector used incorrect unadjusted tax levies when computing the 1995 and 1994 Proposition C ratios for some school districts. In addition, when making the 1996 Proposition C adjustments related to stated assessed railroad and utility taxes, the County Collector applied the 1 percent commission rate and assessment withholding rate to the wrong amounts. These errors resulted in approximately $7,500 and $6,600 being due to the General Revenue Fund and Assessment Fund, respectively, from the various school districts.

Recommendation:

The Collector consider recomputing commissions related to these school districts and making corrections for amounts improperly distributed to the schools, General Revenue Fund, and Assessment Fund. In addition, the Collector needs to ensure future Proposition C commissions are computed properly.

Status:

Implemented. The County Collector adjusted the December 1997 withholdings to correct for past errors made.

11. 911

Annual budgets approved by the board did not contain a summary of available resources, estimated revenues and appropriations, estimated ending balance, and a cash reconciliation.
Recommendation:

The 911 Board prepare a complete and accurate budget document.

Status:

Partially implemented. The 1998 budget approved by the board did contain a summary of available resources, estimated revenues and appropriations, estimated ending balance and cash reconciliation. However, the budget document did not include some interest income and the activity of one bank account. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HOWARD COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1816, the county of Howard was named after General Benjamin Howard. Howard County is a third-class county and is part of the Fourteenth Judicial Circuit. The county seat is Fayette.

Howard County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Howard County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 336,019	17	305,971	14
Sales taxes	421,622	21	412,447	18
Federal and state aid	871,827	43	709,927	32
Fees, interest, and other	382,191	19	823,360	36
Total	$ 2,011,659	100	2,251,705	100

The following chart shows how Howard County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 875,939	20	736,377	19
Public safety	165,613	26	188,185	28
Highways and roads	1,056,438	54	936,239	53
Total	$ 2,097,990	100	1,860,801	100

In addition, Howard County received $341,470 and $309,872 of revenues in the Law Enforcment Sales Tax Fund and expended $341,317 and 309,076 for the purpose of public safety in 1998 and 1997, respectively.

The county maintains approximately 104 county bridges and 503 miles of county roads.
::

The county's population was 10,561 in 1970 and 9,631 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 42.4	41.5	35.2	19.5	13.8
Personal property	17.5	16.3	11.4	8.1	4.4
Railroad and utilities	14.2	14.3	13.1	12.3	9.6
Total	$ 74.1	72.1	59.7	39.9	27.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Howard County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .25	.24
Special Road and Bridge Fund*	.27	.26
Howard County Sheltered Services Board	.10	.10

* The county retains all tax proceeds from areas not within road districts. The county has two road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		1999	1998
State of Missouri	$	23,125	22,342
General Revenue Fund		198,425	185,339
Special Road and Bridge Fund		208,254	194,951
Special Road Districts Fund		62,802	61,337
Assessment Fund		40,997	38,760
Hospital Fund		5,214	19,713
Howard County Sheltered Services Board		75,724	73,663
Schools Fund		2,569,809	2,398,691
Library Fund		65,796	63,132
Ambulance District		219,639	205,874
Fire Districts Fund		133,493	125,364
Watershed District Fund		13,481	12,968
Levee District Fund		123,901	178,846
Cities		171,425	165,571
County Clerk		215	209
County Employees' Retirement Fund		14,237	14,170
Other		21,104	20,803
Commissions and fees:			
County Collector		2,870	2,791
General Revenue Fund		73,293	67,754
Total	$	4,023,804	3,852,278

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	93.6 %	93.7 %
Personal property	89.2	88.5
Railroad and utilities	100.0	100.0
Levee	95.5	95.2

Howard County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50
Law Enforcement		.0050	None	None
911		.0050	None	None
Capital Improvements		.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Winston Huttsell, Presiding Commissioner	$		17,000	17,000
Andrew G. Diehls, Associate Commissioner			17,000	17,000
Howard P. Black, Associate Commissioner			17,000	17,000
William M. Hill, County Clerk			28,500	28,500
Gregory P. Robinson, Prosecuting Attorney			33,000	33,000
Charlie Polson, Sheriff			8,500	
Randy L. Yaeger, Sheriff			25,500	34,000
Bonnie J. McCutcheon, County Treasurer			18,710	18,710
Frank Flaspohler, County Coroner			5,500	5,500
Glynda Naylor, Public Administrator *			20,548	24,705
Sharon Himmelberg, County Collector**, year ended February 28,		34,102	34,023	
George W. Frink, County Assessor ***, year ended August 31,			34,900	31,800
Gene Bowen, County Surveyor ****				

* Includes fees received from probate cases.
** Includes $2,870 and $2,791 of commissions earned for collecting city property taxes for 1998 and 1997, respectively.
*** Includes $900 annual compensation received from the state.
**** Compensation on a fee basis.

State-Paid Officials:			
Charles J. Flaspohler, Circuit Clerk and Ex Officio Recorder of Deeds		42,185	40,176
Ralph Jaynes, Associate Circuit Judge		85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds *	1	2
County Clerk	1	0
Prosecuting Attorney *	2	0
Sheriff	10	0
County Collector	1	0
County Assessor	3	0
Associate and Probate Division *	1	1
Road and Bridge	11	0
Health Center **	6	0
Keller Building	1	0
Maintenance *	2	0
911***	12	0
Total	52	3

* Includes 1 part-time employee.
** Includes 3 part-time employees.
*** Includes 6 part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Howard County's share of the Fourteenth Judicial Circuit's expenses is 28.33 percent.

AUDIT REPORT

FIFTEENTH JUDICIAL CIRCUIT

SALINE COUNTY, MISSOURI

THREE YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-118
December 23, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

FACT SHEET

During our audit of the Fifteenth Judicial Circuit Court in Saline County, we identified certain management practices which we believe could be improved.

Criminal cost billings were not submitted to the state for some cases during 1998, 1997, and 1996. State law allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. Based on information provided by the Sheriff, the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. State law requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgment and sentence.

Our review of criminal cases found twenty-one cases with costs totaling approximately $33,031 that had not been submitted for reimbursement. Of these twenty-one cases, fourteen have exceeded the two-year time limit and the county has already lost reimbursements totaling approximately $17,831. Seven of the twenty-one cases had 1998 conviction dates. Incarceration costs related to those cases total approximately $15,200. We have provided the Circuit Clerk with information regarding these cases so they can be billed before the two-year time limit expires.

Many of the funds held on deposit in the Circuit Clerk's fee account are for old cases which contain deposits insufficient to cover all court costs charged. The Circuit Clerk's December 31, 1998, open items listing includes approximately 950 entries and totaled over $114,000. Approximately 240 of these cases originated prior to 1996 with some cases dating as far back as the 1950's. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance to be distributed among the various costs.

Delinquency notices are not sent out to the non-custodial parents of cases involving non-IV-D obligations. According to the State Division of Child Support Enforcement (DCSE) personnel, the division will generate and mail billings unless there is a billing suppression request on file and their records indicate the former Circuit Clerk requested the suppression of billings for non-IV-D delinquent obligations. The Circuit Clerk indicated that she was unaware that the billing request had been suppressed. In response to the finding, the current Circuit Clerk indicated she contacted the DCSE and requested the billings be generated and mailed.

The duties of receiving, recording, and depositing court monies collected by the Probate Division are not adequately segregated. Currently, the Probate Clerk performs all these duties as well as preparing checks and completing monthly reports and reconciliations. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of records.

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Fifteenth Judicial Circuit
Saline County, Missouri

We have audited the accompanying special-purpose financial statements of the various funds of the Fifteenth Judicial Circuit, Saline County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the various funds of the Fifteenth Judicial Circuit, Saline County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the judicial circuit.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the various funds of the Fifteenth Judicial Circuit, Saline County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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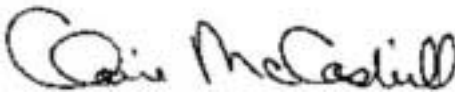
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The Fifteenth Judicial Circuit, Saline County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Fifteenth Judicial Circuit is or will become year 2000-compliant, that the Fifteenth Judicial Circuit's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Fifteenth Judicial Circuit does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 14, 1999, on our consideration of the judicial circuit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, Saline County, and the Fifteenth Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

September 14, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Fifteenth Judicial Circuit
Saline County, Missouri

We have audited the special-purpose financial statements of the various funds of the Fifteenth Judicial Circuit, Saline County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, and have issued our report thereon dated September 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various funds of the Fifteenth Judicial Circuit, Saline County, Missouri, are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various funds of the Fifteenth Judicial Circuit, Saline County, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide

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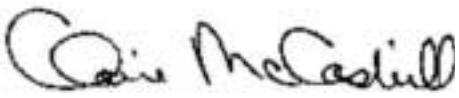
assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the judicial circuit's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Fifteenth Judicial Circuit, Saline County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

September 14, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

	Circuit Division Fund	Division VI - Associate Circuit Division Fund	Division V - Probate Division Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS					
Court deposits, fees, bonds, and others	$ 311,886	900,148	26,093	13,914	1,252,041
Child support	2,506,914	0	0	0	2,506,914
Interest income	5,252	1,566	0	0	6,818
Total Receipts	2,824,052	901,714	26,093	13,914	3,765,773
DISBURSEMENTS					
State of Missouri					
Court fees	34,736	92,592	13,927	0	141,255
Title IV-D	177,229	0	0	0	177,229
County officials	31,053	428,056	4,965	0	464,074
Child support	2,309,065	0	0	0	2,309,065
Supplies and equipment	1,725	1,594	0	14,818	18,137
Refunds and other	312,140	409,016	7,251	0	728,407
Total Disbursements	2,865,948	931,258	26,143	14,818	3,838,167
RECEIPTS OVER (UNDER) DISBURSEMENTS	-41,896	-29,544	-50	-904	-72,394
CASH, JANUARY 1	194,075	43,562	50	3,183	240,870
CASH, DECEMBER 31	$ 152,179	14,018	0	2,279	168,476

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

	Circuit Division Fund	Division VI - Associate Circuit Division Fund	Division V - Probate Division Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS					
Court deposits, fees, bonds, and others	$ 341,081	939,337	49,202	8,245	1,337,865
Child support	2,323,875	0	0	0	2,323,875
Interest income	3,060	1,457	0	0	4,517
Total Receipts	2,668,016	940,794	49,202	8,245	3,666,257
DISBURSEMENTS					
State of Missouri					
Court fees	29,421	96,679	20,856	0	146,956
Title IV-D	221,174	0	0	0	221,174
County officials	19,701	447,827	5,858	0	473,386
Child support	2,103,295	0	0	0	2,103,295
Supplies and equipment	527	3,283	0	5,575	9,385
Refunds and other	174,571	394,866	22,438	0	591,875
Total Disbursements	2,548,689	942,655	49,152	5,575	3,546,071
RECEIPTS OVER (UNDER) DISBURSEMENTS	119,327	-1,861	50	2,670	120,186
CASH, JANUARY 1	74,748	45,423	0	513	120,684
CASH, DECEMBER 31	$ 194,075	43,562	50	3,183	240,870

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1996

	Circuit Division Fund	Division VI - Associate Circuit Division Fund	Division V - Probate Division Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS					
Court deposits, fees, bonds, and others	$ 271,597	720,673	31,706	3,820	1,027,796
Child support	2,164,004	0	0	0	2,164,004
Interest income	3,151	1,039	0	0	4,190
Total Receipts	2,438,752	721,712	31,706	3,820	3,195,990
DISBURSEMENTS					
State of Missouri					
Court fees	31,290	84,460	17,038	0	132,788
Title IV-D	236,114	0	0	0	236,114
County officials	25,300	365,668	4,684	0	395,652
Child support	1,928,337	0	0	0	1,928,337
Supplies and equipment	3,885	0	0	3,390	7,275
Refunds and other	268,305	233,982	9,984	0	512,271
Total Disbursements	2,493,231	684,110	31,706	3,390	3,212,437
RECEIPTS OVER (UNDER) DISBURSEMENTS	-54,479	37,602	0	430	-16,447
CASH, JANUARY 1	129,227	7,821	0	83	137,131
CASH, DECEMBER 31	$ 74,748	45,423	0	513	120,684

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Fifteenth Judicial Circuit, Saline County, Missouri.

Receipts, disbursements, and changes in cash are presented for the various funds administered by the Fifteenth Judicial Circuit, Saline County, Missouri. The operating costs of the offices within the circuit are paid directly from appropriations authorized by the County Commissions within the judicial circuit and the state of Missouri and are not included in these financial statements. The funds administered by the circuit officials located in Lafayette County are reported on separately.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash for the Fifteenth Judicial Circuit, Saline County, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Fifteenth Judicial Circuit, Saline County, Missouri, includes the transactions of the Circuit Division, the Associate Circuit Division, the Probate Division, and the Law Library Fund. Each officeholder has been charged with the responsibility of administering the transactions in his or her division. The Presiding Judge's secretary acts as the custodian of the Law Library Fund. The Fifteenth Judicial Circuit, Saline County, Missouri, administers transactions within the following funds:

Circuit Division Fund: This fund accounts for the transactions of the Circuit Clerk's office. These transactions include receipts and disbursements of the fee, child support, and interest accounts.

Associate Circuit Division Fund: This fund accounts for the transactions of the Associate Circuit Division. These transactions include receipts and disbursements of the court costs, fees, fines, bonds, and interest income.

Probate Division Fund: This fund accounts for the transactions of the Probate Division. These transactions include receipts and disbursements of court deposits and fees.

Law Library Fund: This fund accounts for the transactions of the law library, including fees collected from Circuit Division, Associate Circuit Division, and Probate Division deposits. Disbursements are legally restricted for maintenance of a law library.

2. Cash

Section 483.310, RSMo Cumulative Supp. 1998, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

The circuit court's deposits at December 31, 1998, 1997, and 1996, were entirely covered by federal depositary insurance or by collateral securities held by the court's custodial bank in the circuit court's name.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Circuit Clerk's Accounting Controls and Procedures (pages 17-19)

   Criminal cost billings were not submitted to the state for some cases during 1998, 1997, and 1996. For some cases, with 1997 and 1996 conviction dates and billable costs totaling approximately $17,831, the two-year time limit was exceeded and the county will not be reimbursed for these costs. Other cases, with 1998 conviction dates and billable costs totaling approximately $15,200, still need to be billed. Numerous funds are held on deposit for old civil and criminal cases which should be distributed. Notices of delinquent child support are not sent.

2. Probate Division's Accounting Controls (page 19)

   Accounting duties are not adequately segregated.

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Fifteenth Judicial Circuit, Saline County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, and have issued our report thereon dated September 14, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the judicial circuit's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Circuit Clerk's Accounting Controls and Procedures

A. Section 221.105, RSMo Cumulative Supp. 1998, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. Section 33.120, RSMo Cumulative Supp. 1998, requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgement and sentence.

Our review of criminal cases found twenty-one cases with costs totaling approximately $33,031 that had not been submitted for reimbursement. Of these twenty-one cases, eight had 1996 conviction dates and six had 1997 conviction dates. These cases have exceeded the two-year time limit and the county has already lost reimbursements totaling approximately $17,831. Seven of the twenty-one cases had 1998 conviction dates. Incarceration costs related to those cases total approximately $15,200. The two-year time limit has not expired on these cases and the costs are still reimbursable. We have provided the Circuit Clerk with information regarding these cases so they can be billed. We did not review all cases and it is possible other lost revenues may exist as a result of untimely cost billings during the audit period and in calendar year 1999. To ensure reimbursement is obtained for all allowable costs, bills of costs should be prepared and submitted to the state in a thorough and timely manner.

B. The Circuit Clerk's office collects court costs for each case filed in the Circuit Division. Many of the funds held on deposit in the fee account are for old cases which contain deposits insufficient to cover all court costs charged in the case. The Circuit Clerk's December 31, 1998, open items listing includes approximately 950 entries and totaled

over $114,000. Approximately 240 of these cases originated prior to 1996 with some cases dating as far back as the 1950's. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance to be prorated among the various costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

C. Delinquent child support payments are not adequately monitored. Delinquency notices are not sent out to the non-custodial parents of cases involving non-IV-D obligations. The Circuit Clerk indicated this process is now being performed by the state Division of Child Support Enforcement (DCSE). According to DCSE personnel, the division will generate and mail billings unless there is a billing suppression request on file and their records indicate the former Circuit Clerk requested the suppression of billings for non-IV-D delinquent obligations. Therefore, no billings will be generated until the suppression is rescinded by the Circuit Clerk. The Circuit Clerk indicated that she was unaware that the billing request had been suppressed.

Section 452.345.5, RSMo Cumulative Supp. 1998, states, except for a Title IV-D case, if a party becomes delinquent in maintenance or support payments in an amount equal to one month's total support obligation, the Circuit Clerk shall notify the obligor of the delinquency and shall advise that the obligor's income is subject to withholding for repayment of the delinquency and for payment of current support. The Circuit Clerk must also notify the obligee of the delinquency.

Conditions similar to B and C were also noted in our prior report.

WE RECOMMEND the Circuit Clerk:

A. Determine any unbilled costs pertaining to 1999, 1998, and late 1997 cases and bill the state promptly. In addition, the Circuit Clerk should ensure that current procedures are sufficient to ensure criminal cost reimbursement forms are submitted to the state on a timely basis.

B. Pursue collection of costs accrued on old cases. If collection of such costs cannot be made, monies held by the Circuit Clerk should be distributed on a pro-rata basis, after obtaining a court order from the Circuit Judge.

C. Implement procedures to monitor delinquent child support and issue delinquent notices in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. With the addition of another clerk in January 1999, we have been able to change procedures so that these criminal costs are billed more regularly. We are currently reviewing dockets pertaining to prior years to identify previously unbilled costs that are still within the allowable timeframe for state reimbursement.

B. As time allows we are reviewing old cases on the open items listing. Monies are being disbursed on closed cases. Cases still open are being reviewed and discussed with the Circuit Judge regarding the appropriate disposition.

C. We have contacted the DCSE and requested that the non-IV-D billings be generated and mailed. As of the end of July 2001, this office will no longer collect child support payments. This function will be handled by the DCSE- Family Support Payment Center at a centralized location. At that point in time our primary responsibility will be to file case information only.

2. Probate Division's Accounting Controls

The duties of receiving, recording, and depositing court monies collected by the Probate Division are not adequately segregated. Currently, the Probate Clerk performs all these duties as well as preparing checks and completing monthly reports and reconciliations. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of records. This review should include accounting for the numerical sequence of receipt slips issued, a reconciliation of the composition of receipt slips issued to the composition of monies deposited, and a review of the monthly bank reconciliation.

WE RECOMMEND the Probate Division establish a documented periodic review of the division records by an independent person.

AUDITEE'S RESPONSE

The Probate Clerk indicated this issue will be discussed with the Probate Judge and an effort will be made to implement the recommendation.

This report is intended for the information of the management of the Fifteenth Judicial Circuit, Saline County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Fifteenth Judicial Circuit, Saline County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1995. The prior recommendations which have not been implemented are repeated in the current MAR.

Circuit Clerk's Accounting Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated.

B. The Circuit Clerk did not disburse the county's portion of filing fees until the case was closed and the final court costs were calculated. In addition, the open items listing contained numerous old cases for which the balance of fees collected had not been disbursed.

C. Delinquent child support payments were not adequately monitored and delinquency notices were not sent to the absent parent when child support payments were not received.

Recommendation:

The Circuit Clerk:

A. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review by an independent person of the work performed.

B. Disburse filing fees to the county in the month received and periodically review cases included on the open-items listing and take appropriate action. For those old cases which contain a balance of fees collected, a court order should be obtained to close those cases by paying out any remaining fees on a prorated basis.

C. Implement procedures to monitor delinquent child support payments and issue delinquent notices in accordance with state law.

Status:

A. Implemented.

B. Partially implemented. In September 1999, the Circuit Clerk began distributing the county's portion of the filing fee in the month received. However, court costs and fees on cases continue to be held until the balance is paid in full. The open items listing still contains numerous old cases for which the balance of fees collected have not been disbursed. For

related comments, see MAR No. 1.

C. Not implemented. See MAR No 1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
HISTORY, ORGANIZATION
AND STATISTICAL INFORMATION

Organization

The Fifteenth Judicial Circuit consists of Saline County and Lafayette County.

The Fifteenth Judicial Circuit consists of one circuit judge and four associate circuit judges. The circuit judge hears cases throughout the circuit. He also serves as the presiding judge and, therefore, is responsible for the administration of the circuit. Of the four associate circuit judges, two are located in Saline County and preside over the Division VI-Associate Circuit Court and the Division V-Probate Division Court. The other two associate circuit judges are located in Lafayette County.

In addition to the judges, the personnel of the Fifteenth Judicial Circuit, Saline County, Missouri, include a circuit clerk, an associate circuit division clerk, a probate division clerk, six deputy clerks, a juvenile officer, one deputy juvenile officer, a court reporter, and secretary (who also serves Lafayette County). The juvenile officer's home base is Saline County; however she also serves residents of Lafayette County.

Circuit personnel located in Lafayette County are not included in the scope of this audit, but are reported on separately.

Operating Costs

The operating expenses of the various courts are paid by Saline County. The operating expenses for the circuit judge, court reporters, and juvenile office are paid by the two counties within the circuit based on the percentage of the county's population to the total circuit population.

The salaries of the court personnel, except for the salary of one deputy clerk which is paid by Saline County, and the juvenile officer are paid by the state of Missouri. The salaries of the deputy juvenile officer and secretarial staff are paid for by the two counties within the circuit based on the percentage of each county's population to the total circuit population.

Expenditures incurred for the Fifteenth Judicial Circuit, Saline County, Missouri were obtained from the Saline County budget and information provided by the State Courts Administrator's office and are as follows:

	Year Ended December 31,								
	1998			1997			1996		
	State of Missouri- Personal Service	Saline County Personal Service	Saline County Expenses	State of Missouri- Personal Service	Saline County Personal Service	Saline County Expenses	State of Missouri- Personal Service	Saline County Personal Service	Saline County Expenses
Circuit Division IV	$ 122,649	0	8,331	117,479	0	8,095	112,269	0	7,918
Circuit Clerk	100,461	0	11,948	90,133	0	6,752	88,443	0	6,473
Associate Division VI	140,976	11,112	10,989	136,728	0	9,710	130,282	0	9,456
Probate Division V	117,868	0	8,062	111,901	0	10,705	108,729	0	9,991
Court reporters	43,423	0	1,028	41,238	0	1,421	39,094	0	2,930
Juvenile Office	36,146	170,656	97,681	34,307	161,083	109,243	32,523	132,862	52,149
Total	$ 561,523	181,768	138,039	531,786	161,083	145,926	511,340	132,862	88,917

(Juvenile office salaries and expenses for the entire Fifteenth Judicial Circuit are included above.)

Caseload and Time Standard Statistics:

Caseload statistics of the filings and dispositions of the Fifteenth Judicial Circuit, Saline County, Missouri, provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

	Year Ended June 30,					
	1998		1997		1996	
	Filings	Dispositions	Filings	Dispositions	Filings	Dispositions
Civil	1,135	1,145	1,130	1,015	1,141	1,058
Criminal	1,395	1,330	1,198	1,064	957	929
Traffic and Ordinance	3,553	3,569	3,625	3,366	3,462	3,320
Juvenile	86	77	81	50	65	46
Probate	65	59	61	75	72	68
Total	6,234	6,180	6,095	5,570	5,697	5,421

Compliance by the Fifteenth Judicial Circuit, Saline County, Missouri, with time standards for disposition of certain types of cases, provided by the State Courts Administrator's Missouri Judicial Report for fiscal year 1998, is as follows:

Type of Case	Time Standard	Fifteenth Judicial Circuit, Saline County, Missouri		State Total	
Circuit Civil	90% in 18 months	80	%	79	%
	98% in 24 months	86		87	
Domestic Relations	90% in 8 months	74		83	
	98% in 12 months	83		90	
Associate Civil	90% in 6 months	87		84	
	98% in 12 months	91		95	
Circuit Felony	90% in 8 months	94		85	
	98% in 12 months	98		93	
Associate Criminal	90% in 4 months	88		79	
	98% in 6 months	94		89	

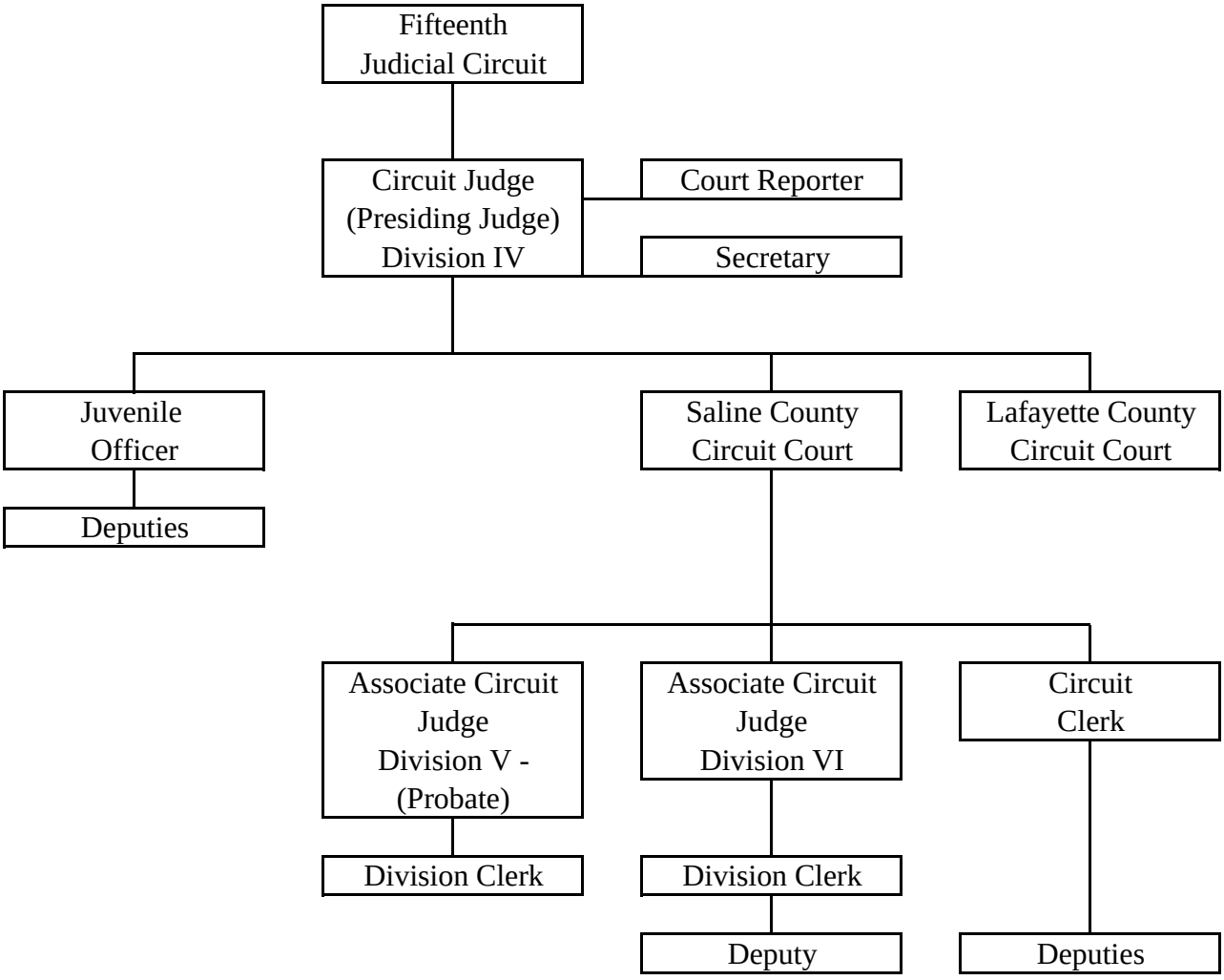
Personnel

At December 31, 1998, the judges, Circuit Clerk, and Juvenile Officer of the Fifteenth Judicial Circuit, Saline County, Missouri, were:

Robert H. Ravenhill, Circuit Judge, Division IV
Gary L. Busker, Associate Circuit Judge, Division V - Probate Division
Rick R. Wilson, Associate Circuit Judge, Division VI
Jean Buck, Circuit Clerk
Brenda Roberts, Juvenile Officer

An organization chart follows:

FIFTEENTH JUDICIAL CIRCUIT
SALINE COUNTY, MISSOURI
ORGANIZATION CHART
DECEMBER 31, 1998



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AUDIT REPORT

CITY OF BROWNING, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-117
December 20, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Browning, Missouri.

The City of Browning provides water and sewer services to approximately 160 customers and trash services to approximately 136 customers. Our review of the city's billing and collection records and procedures disclosed the following concerns:

- The city contracts with a trash hauler to collect trash from the homes in the city. For a number of years, the trash hauler billed city residents directly for trash service. In October 1997, the city began billing each resident seven dollars per month for the cost of the service. The fees charged to residents were established without a public vote, and some residents who apparently do not use the service have been billed for trash fees.

  Article X, Section 22(a) of the Missouri Constitution, commonly known as the Hancock Amendment, prohibits political subdivisions from increasing existing taxes, licenses, or fees above levels authorized at the time of passage of the Hancock Amendment without voter approval. However, Section 67.042, RSMo 1994, allows political subdivisions to adjust existing fees and licenses to maintain funding of services provided at the time of passage of the Hancock Amendment.

  Because this matter has been a concern of some citizens, the city should request that its attorney review this fee to determine whether it is or can be structured as a user fee or whether the fee and any fee increases should be put to a public vote.

- During the year ended December 31, 1998, the city collected $10,694 in trash fees and paid $3,084 for trash hauling services. The city has not been billed by its former trash hauler for trash services provided from September 1997 through June 1998, but the city expects to be billed for these services in the future. It appears the 1998 share of these costs is approximately $5,400. The city has not identified any other costs, such as administrative costs, related to trash service. Ordinance 252 indicates all trash fee payments received by the city shall be used to defray the expenses of collection of solid waste. The administrative costs of providing trash collection services should be calculated and documented. If the current revenues generated exceed the estimated costs incurred in providing trash collection services, consideration should be given to reducing the fee accordingly.

(over)

- The city waived trash fees for some residents and commercial establishments without adopting ordinances or rules to authorize the waivers and the City Clerk's billing records do not always indicate which water, sewer, and trash bills have been collected.

In 1996, the city was awarded a $64,252 COPS Grant to pay salaries and fringe benefits for two part-time police officers over a three-year period. Grant disbursements are not approved by the Board of Aldermen. Time records for all police officers are prepared by the Police Chief and do not clearly identify all officers and the number of hours worked by each officer. The Police Chief was paid for hours worked by other officers.

Improvements are needed in the city's budgeting documents and procedures. The city's published financial statements are not sufficiently detailed and do not reflect some financial activity and indebtedness of the city. The 1998 annual financial report submitted to the State Auditor's office is inaccurate and incomplete. The city has not obtained annual audits of its water and sewer system as required by state law and the city's bond covenant.

During the year ended December 31, 1998 the city deposited $13,164 of state motor vehicle-related receipts and $3,813 of county road sales tax receipts into the General Fund. During 1998, the city spent $2,035 on street repairs and $13,452 for police department expenses. The city has not established a separate accounting for these receipts and related disbursements. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The county sales tax monies were approved by county voters for road and bridge capital improvements.

A separate individual has not been appointed to serve as City Treasurer and there is no independent review or supervision of the work performed by the City Clerk. Deposits are not made on a timely basis and board minutes do not identify the disbursements approved by the board.

The city has not adopted formal plans to address citizens' concerns regarding building conditions. The city purchased two properties containing dangerous and unsafe buildings and paid to have the buildings demolished and removed. However, the city has not formally identified all remaining dangerous and unsafe buildings or developed formal plans to ensure the buildings are repaired or demolished. The city unsuccessfully attempted to negotiate the purchase of two other properties that contained dangerous and unsafe buildings.

CITY OF BROWNING, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Browning
Browning, Missouri 64630

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Browning, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the city.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

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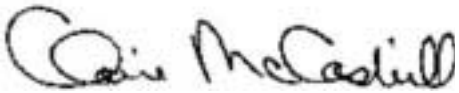
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Browning, Missouri.



Claire McCaskill
State Auditor

September 24, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF BROWNING, MISSOURI
HISTORY AND ORGANIZATION

The city of Browning is located in Linn and Sullivan Counties. The city was incorporated in 1891 and is currently a fourth-class city. The population of the city in 1990 was 331.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1998, were:

Elected Officials	Term Expires	Compensation for the Year Ended December 31, 1998		Amount of Bond
Eldon Head, Mayor	April 2001	$ 420		$ 30,000
Johnnie Grime, Alderman	April 2001	240		30,000
Dean Spencer, Alderman	April 2001	240		30,000
Helen Owens, Alderman	April 2000	240		30,000
Robert Wood, Alderman (1)	April 2000	160		30,000
Other Principal Officials				
Brenda Head, City Clerk/City Treasurer (2)		4,015	(3)	
Paula Havens, City Collector		442		7,500
Jeffrey Sayre, City Attorney		4,335	(4)	
William Murry, Police Chief		11,409		30,000
Dean Alspach, Water Commissioner		5,400		30,000

(1) Elected in April 1998 to replace Rick Coffman.

(2) Appointed April 6, 1998 to replace Sally Grieger.

(3) Bonded for $30,000 as City Clerk and $25,000 as City Treasurer.

(4) This amount represents total payments to the City Attorney's law firm during the year ended December 31, 1998. Patrick Richardson was appointed City Attorney in January 1999.

In addition to the officials listed above, the city has four part-time employees.

The Associate Circuit Judge of Sullivan County serves as the municipal judge. All city court cases and the related fines and court costs are handled by the Associate Circuit Division.

Assessed valuation and tax rate information for 1998 are as follows:
::

ASSESSED VALUATION

Real estate	$	485,340
Personal property		261,565
Railroad and utilities		23,693
Total	$	770,598

TAX RATE PER $100 ASSESSED VALUATION

General	$	1.00

The city has a general sales tax of one percent of retail sales within the city and a general use tax of one percent on purchases from out of state vendors.

A summary of the financial activity of the city of Browning for the year ended December 31, 1998 is presented on the next page.

	General Fund	Consolidated Waterworks and Sewage System Fund	Replacement and Extension Fund	Bond Reserve and Sinking Fund	Water Meter Deposit Fund	Police Vehicle Grant Fund	Police Department COPS Grant Fund	Community Development Block Grant Fund	Total
RECEIPTS									
Gas tax and state vehicle tax	$ 11,750	0	0	0	0	0	0	0	11,750
Sales and use tax	21,032	0	0	0	0	0	0	0	21,032
Occupation tax	3,195	0	0	0	0	0	0	0	3,195
Property taxes	9,872	0	0	0	0	0	0	0	9,872
Interest	3,431	591	663	716	250	67	0	266	5,984
Trash fees	10,694	0	0	0	0	0	0	0	10,694
Court fines	7,705	0	0	0	0	0	0	0	7,705
Water and sewer fees	0	63,381	0	0	0	0	0	0	63,381
Water meter deposits	0	0	0	0	2,100	0	0	0	2,100
Grant revenue	0	0	0	0	0	8,100	18,700	222,082	248,882
Other	6,595	0	0	0	0	0	0	0	6,595
Transfers in	7,406	611	0	10,311	0	900	8,654	15,104	42,986
Total Receipts	81,680	64,583	663	11,027	2,350	9,067	27,354	237,452	434,176
DISBURSEMENTS									
Salaries and fringe benefits	12,202	8,690	0	0	0	0	20,338	0	41,230
Electricity and phone	4,437	1,829	0	0	0	0	0	0	6,266
Insurance	9,388	453	0	0	0	0	0	0	9,841
Trash hauling	3,084	0	0	0	0	0	0	0	3,084
Office supplies and advertising	2,408	94	0	0	0	0	0	0	2,502
Street repair	2,305	0	0	0	0	0	0	0	2,305
Fuel, repairs and maintenance	10,420	5,660	0	0	0	0	0	0	16,080
Police expense	4,798	0	0	0	0	9,067	0	0	13,865
Attorney fees	4,335	0	0	0	0	0	0	0	4,335
Purchased water	0	28,245	0	0	0	0	0	0	28,245
Water meter deposit refunds	0	0	0	0	852	0	0	0	852
Bond principal and interest	0	0	0	10,311	0	0	0	0	10,311
Refund to grantor	0	0	0	0	0	0	0	6,166	6,166
Drainage	0	0	0	0	0	0	0	82,198	82,198
Housing rehabilitation and inspection	0	0	0	0	0	0	0	143,290	143,290
Relocation	0	0	0	0	0	0	0	13,100	13,100
Demolition	0	0	0	0	0	0	0	6,244	6,244
Grant administration	0	0	0	0	0	0	0	8,681	8,681
Other	5,167	2,105	0	0	0	0	0	550	7,822
Transfers out	24,658	10,311	0	0	611	0	7,406	0	42,986
Total Disbursements	83,202	57,387	0	10,311	1,463	9,067	27,744	260,229	449,403
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,522	7,196	663	716	887	0	-390	-22,777	-15,227
CASH BALANCE, JANUARY 1, 1998	98,105	18,468	15,786	12,873	9,515	0	381	33,686	188,814
CASH BALANCE, DECEMBER 31, 1998	$ 96,583	25,664	16,449	13,589	10,402	0	-9	10,909	173,587

MANAGEMENT ADVISORY REPORT

CITY OF BROWNING, MISSOURI
SUMMARY OF FINDINGS

1. COPS Grant Records and Procedures (pages 10-12)

Grant disbursements are not approved by the Board of Aldermen. Time records for all police officers are prepared by the Police Chief and do not clearly identify all officers and the number of hours worked by each officer. The Police Chief was paid for hours worked by other officers.

2. Water, Sewer, and Trash Service (pages 12-16)

The city should obtain legal guidance regarding establishing the city trash fee without voter approval. The city should identify all costs of trash collection services and set the trash fee no higher than to cover the cost of the service. The city collects penalties on delinquent trash fees which do not agree to its ordinance, and some trash fees were waived without ordinances or rules to authorize the waivers. Water, sewer, and trash billings are not reconciled to payments received and amounts remaining unpaid, and the dates of amounts collected are not always recorded on the billing records. The city does not reconcile gallons of water pumped to gallons billed to customers or compare these amounts to the gallons of water purchased. The city does not maintain an accurate listing of water meter deposit balances and interest earned on the water meter deposit account.

3. Budgets and Financial Reporting (pages 16-18)

Improvements are needed in the city's budgeting documents and procedures. The city's published financial statements are not sufficiently detailed and do not reflect some financial activity and indebtedness of the city. The 1998 annual financial report submitted to the State Auditor's office is inaccurate and incomplete. The city has not obtained annual audits of its water and sewer system as required by state law and the city's bond covenant.

4. Accounting Controls and Procedures (pages 18-19)

A separate individual has not been appointed to serve as City Treasurer and there is no independent review or supervision of the work performed by the City Clerk. Deposits are not made on a timely basis and board minutes do not identify the disbursements approved by the board.

5. Restricted Revenues (pages 19-20)

The city has not established separate accounting records for state motor vehicle-related receipts, county road sales tax receipts, and law enforcement training fees to ensure monies are spent in accordance with the constitution and state law.

6. Ordinances, Payroll Matters, and Contracts (pages 20-21)

The city has not adopted an ordinance establishing the term of office for the City Clerk. The police compensation ordinance does not clearly indicate the compensation rate for each officer. The city does not have a written contract with the law firm that provides city attorney services.

7. Building Conditions (pages 21-22)

The city has not formally identified all dangerous and unsafe structures or enforced a city ordinance to ensure these structures will be repaired or demolished.

1. COPS Grant Records and Procedures

In 1996, the city was awarded a $64,252 COPS Grant to pay salaries and fringe benefits for two part-time police officers over a three-year period. The city is required to provide matching funds totaling $21,418 during the grant period. Our review of the grant records and procedures noted the following concerns:

A. The Police Chief prepares all time records and calculates payroll and fringe benefit amounts. Checks for payroll and fringe benefits are signed by the Police Chief and the Mayor and these disbursements are not reviewed or approved by the Board of Aldermen. Our review of the time and payroll records noted that fringe benefits were not always calculated correctly and the number of hours worked frequently did not agree to the number of hours paid plus compensatory time earned during the month. While the errors and discrepancies noted were not significant, the city should review all records for the grant period and correct the errors noted.

To ensure the propriety of all city expenditures, the Board of Aldermen should review and approve all COPS Grant disbursements prior to payment. In addition, the board should appoint someone independent of the timekeeping function to check the accuracy of the payroll calculations, and the Police Chief should not be responsible for signing checks on the COPS Grant account.

B. The Police Chief prepares time records for all police officers. These time records do not clearly identify each officer that worked for the city and the number of hours worked by each officer. For example, columns on the time records often listed two officer numbers and only one officer's name. Therefore, it was unclear whether one or two officers worked the hours listed in the applicable column.

In addition, while the officers named on the time records were issued payroll checks and their earnings were reported to the IRS on W-2 forms, sometimes the city issued payroll checks and issued W-2 forms to officers that were not identified on the time records.

To adequately account for all payroll expenses, all officers should prepare and sign their own time sheets, and the time sheets should be reviewed and approved by a supervisor. Payroll checks should only be issued upon the preparation and approval of time sheets.

C. The Police Chief indicated he was paid for hours worked by other officers. The Police Chief indicated he used personal funds to pay some officers who needed the money up

front, and he obtained reimbursement by claiming compensation from the city for their hours worked. The Police Chief did not and cannot now provide evidence that the other officers were paid from his personal funds. In addition, as indicated above, the officers did not prepare and submit signed time sheets to document their hours worked. As a result, the city has no documentation to ensure the Police Chief was entitled to the additional compensation he claimed or that the amounts he claimed were calculated properly.

In addition, the earnings of officers paid from the Police Chief's personal funds were reported to the IRS on the Police Chief's W-2 form. As result, the Police Chief paid income taxes, Social Security, and Medicare, on the earnings of other officers.

To ensure all payroll disbursements are valid and are properly reported to the IRS, the city should discontinue the practice of paying the Police Chief for hours worked by other officers and issue payroll checks and W-2 forms to each police officer that provides services to the city. The city should request the Police Chief to provide evidence of wages he paid to the other officers and file amended W-2 forms for these amounts.

As a result of the lack of time sheets and the other concerns noted above, we question the federal share of all grant expenditures through July 31, 1999, totaling $58,394. The city should contact the grantor agency to resolve the questioned costs.

WE RECOMMEND the Board of Aldermen resolve the questioned costs with the grantor agency. In addition, the board should:

A. Review and approve all COPS Grant disbursements prior to payment and appoint someone other than the Police Chief to sign the checks. In addition, the board should review all applicable records, correct all errors noted, and appoint someone independent of the timekeeping function to review the accuracy of payroll calculations.

B. Require each officer to prepare and sign their own time sheets and require supervisory approval to be documented on all time sheets. No payroll checks should be issued without the submission of properly approved time sheets.

C. Discontinue the practice of paying the Police Chief for hours worked by other officers, and issue payroll checks and W-2 forms to each police officer that provides services to the city. The city should request the Police Chief to provide evidence of wages he paid to the other officers and file amended W-2 forms for these amounts.

AUDITEE'S RESPONSE

A. We agree with the recommendation and will implement it as soon as possible.

B. We have already implemented this recommendation.

C. *We have discontinued the practice of paying the Police Chief for hours worked by other officers. We will attempt to determine the amounts paid by the Police Chief to the other officers and file amended W-2 forms.*

2. Water, Sewer, and Trash Service

The city provides water and sewer services to approximately 160 customers and trash services to approximately 136 customers. Our review of the city's billing and collection records and procedures disclosed the following concerns:

A. The city contracts with a trash hauler to collect trash from the homes in the city. For a number of years, the trash hauler billed city residents directly for trash service. In October 1997, the city began billing each resident seven dollars per month for the cost of the service. The fees charged to residents were established without a public vote, and some residents who apparently do not use the service have been billed for trash fees.

Article X, Section 22(a) of the Missouri Constitution, commonly known as the Hancock Amendment, prohibits political subdivisions from increasing existing taxes, licenses, or fees above levels authorized at the time of passage of the Hancock Amendment without voter approval. However, Section 67.042, RSMo 1994, allows political subdivisions to adjust existing fees and licenses to maintain funding of services provided at the time of passage of the Hancock Amendment. The Missouri Supreme Court, in its decision in Beatty v. Metropolitan St. Louis Sewer District, 867 S.W. 2d 217 (Mo. banc 1993) applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

Because this matter has been a concern of some citizens, the city should request that its attorney review this fee to determine whether it is or can be structured as a user fee, or whether the fee and any fee increases should be put to a public vote. If this matter is not resolved by clear legal authority or an election, the city might need to consider ending this municipal service and require the city's residents to contract privately for trash hauling.

B. The city charges its residents a monthly fee of seven dollars for trash service and pays the trash hauler six dollars per customer per month. Trash fees are deposited in the General Fund and disbursements are made monthly from the General Fund for trash hauling services. During the year ended December 31, 1998, the city collected $10,694 in trash fees and paid $3,084 for trash hauling services. The city has not been billed by its former trash hauler for trash services provided from September 1997 through June 1998, but the city expects to be billed for these services in the future. It appears the 1998 share of these

costs is approximately $5,400. The city has not identified any other costs, such as administrative costs, related to trash service.

Ordinance 252 indicates all trash fee payments received by the city shall be used to defray the expenses of collection of solid waste. The administrative costs of providing trash collection services should be calculated and documented. If the current revenues generated exceed the estimated costs incurred in providing trash collection services, consideration should be given to reducing the fee accordingly.

C. Trash fees are billed and collected with water and sewer fees. All three fees are deposited in the consolidated waterworks and sewage system (CW & SS) account. The trash fees are subsequently transferred to the general account and recorded as receipts of the General Fund.

Ordinance 208 authorizes the city to collect a late payment penalty of ten percent on delinquent water and sewer fees. However, Ordinance 252, which established trash fees, does not authorize the city to collect a late payment penalty on trash fees, unless a person is convicted of violating the ordinance. The billings prepared by the city included a penalty calculation of ten percent on all delinquent fees, including the trash fee. The penalties collected on trash fees were recorded in the CW & SS Fund as water and sewer fees and remain in the CW & SS account.

The city should comply with its ordinance and discontinue the practice of collecting penalties on delinquent trash fees or enact an ordinance which establishes a penalty on delinquent trash fees.

D. The city waived trash fees for some residents and commercial establishments without adopting ordinances or rules to authorize the waivers. The city waived trash fees for commercial establishments that do not generate waste or that generate waste the trash hauler cannot collect, commercial establishments billed directly by the trash hauler, and dwelling units owned by individuals that have dumpsters at their commercial establishments.

Ordinance 252 indicates trash fees are to be imposed on each occupied dwelling unit and each occupied commercial establishment not utilizing a dumpster. The ordinance authorizes the city to promulgate reasonable and necessary rules and regulations for the billing and collection of trash fees and requires the City Clerk to maintain copies of any rules and regulations promulgated under the ordinance. There were no rules or ordinances on file to authorize the waivers discussed above.

To ensure compliance with Ordinance 252, the city should adopt ordinances or rules authorizing the waivers on trash fees and file them with the City Clerk.

E. The city does not perform monthly reconciliations of total charges, payments received, and amounts remaining unpaid for water, sewer, and trash services.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

F. The City Clerk's billing records do not always indicate which water, sewer, and trash bills have been collected. In March 1999, the City Clerk began recording the receipt date for each bill on billing summary reports; however, the receipt date was not recorded for some bills collected and deposited by the City Clerk. In addition, the city has an agreement with its depository bank in which customers can pay their bills directly to the bank; however, the City Clerk does not record the receipt dates for bills collected by the bank.

To facilitate the preparation of the reconciliations discussed in E. above, the City Clerk should record the receipt date for each water, sewer, and trash bill on the monthly billing summary report.

G. The city purchases its water supply from Sullivan County Public Water Supply District Number 1. The city does not compare or reconcile gallons of water purchased to gallons of water pumped from the city's water tower. In addition, the city does not reconcile gallons of water pumped to gallons of water billed to customers.

To help detect any significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile gallons of water pumped to gallons of water billed to customers on a monthly basis and compare these amounts to gallons of water purchased. Significant differences should be investigated.

H. The city prepares a list of water meter deposits received from and refunded to customers; however, the list is not totaled and reconciled to the meter deposit bank account, and it appears the city has not properly recorded amounts transferred from the meter deposit bank account to the water and sewer bank account. For example, for several customers who posted a $100 deposit, the city only recorded the amount refunded to the customer and not the amount transferred from the meter deposit bank account to the water and sewer bank account to cover the customer's final water bill. As a result, the balance in the meter deposit bank account was approximately $2,300 less than the net deposits recorded on the city's list at July 31, 1999. In addition, the city does not keep track of the interest earned on the bank account (about $200-250 per year), which would cause additional differences between the recorded meter deposits and the bank balance.

The city should ensure its meter deposit records are complete and accurate by ensuring all deposits, refunds, and transfers are recorded, and also keep track of interest earnings.

The total of net deposits and interest earnings should be reconciled to the bank balance and differences should be investigated and resolved.

WE RECOMMEND the Board of Aldermen:

A. Seek legal guidance from the City Attorney and determine whether the trash fee is or can be structured as a user fee, or if it should be put to public vote.

B. If the trash fee is determined to be a user fee, identify all costs (including administrative costs) of trash collection services and set the trash fee no higher than to cover the cost of the service.

C. Discontinue the practice of collecting penalties on delinquent trash fees, or enact an ordinance which establishes such a penalty.

D. Adopt ordinances or rules authorizing the waivers of trash fees and file them with the City Clerk.

E. Perform monthly reconciliations of the amounts charged to amounts collected and delinquent accounts.

F. Require the City Clerk to record the receipt date for each water, sewer, and trash bill on the monthly billing summary report.

G. Reconcile gallons of water pumped to gallons billed to customers on a monthly basis and compare these amounts to gallons of water purchased. Any significant differences should be documented and investigated.

H. Maintain a complete listing of meter deposits, refunds, transfers to the water and sewer account, and interest earned on the meter deposit account. The listing should be reconciled to the balance of the meter deposit account and differences should be investigated and resolved.

AUDITEE'S RESPONSE

A. Both the current and former city attorneys have reviewed this matter and both determined that the fee does not require a public vote. We will request the current city attorney to provide a written opinion on this issue.

B. We will try to determine the administrative costs and compare the fees collected to the total costs of providing trash service.

C. We have opened a separate bank account for trash fees and have amended Ordinance 252 to impose a late payment penalty.

D. We have amended Ordinance 252 to establish a list of trash fee waivers.

E. The City Clerk is now preparing and documenting monthly reconciliations.

F. We have already implemented this recommendation.

G. We will implement this recommendation.

H. We are in the process of implementing this recommendation.

3. Budgets and Financial Reporting

A. The city's budgets did not comply with state law or were otherwise insufficient as follows:

1. Although the board minutes make general references that the annual budgets and budget amendments were adopted, the budgets are not adopted by order, motion, resolution, or ordinance, are not retained with the official minutes, and are not signed by the board to denote approval. In addition, the reasons for budget amendments are not documented in the minutes.

   Sections 67.030 and 67.040, RSMo 1994, require budgets and budget amendments to be adopted by order, motion, resolution, or ordinance and reasons for amendments to be documented in a resolution. In addition, budgets and budget amendments should be signed or initialed by the board and retained with the official minutes to adequately document the board's approval.

   In addition, budgets were not adopted prior to the beginning of each fiscal year. The budget for the year ended December 31, 1999 was adopted February 1, 1999, and the budget for the year ended December 31, 1998 was adopted February 2, 1998. Section 67.030, RSMo 1994, requires the board to adopt and approve budgets prior to the beginning of the applicable fiscal year.

2. The budgets did not include some funds. The Police Vehicle Grant Fund, the Police Department COPS Grant Fund, and the Community Development Block Grant Fund were not included in the budgets. Section 67.010, RSMo 1994, indicates the annual budget shall present a complete financial plan for the city.

3. The budgets did not reflect projected ending fund balances and did not include budget messages or general budget summaries describing the important features of the budget and major changes from the preceding years. In addition, the

budgets did not include actual receipts and disbursements from the two previous years.

Section 67.010, RSMo 1994, sets specific guidelines for the format of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A complete budget should include appropriate revenue and expenditures estimations by classification, and include reasonable estimates of the ending available resources of all funds. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

B. The city's semi-annual financial statements published for the six months ending June 30, 1998, and December 31, 1998, did not include the Police Vehicle Grant Fund, the Police Department COPS Grant Fund, and the Community Development Block Grant Fund, and did not include $83,167 the city owed on revenue bonds for the combined waterworks and sewage system. In addition, the financial statements only presented the beginning cash balance, total receipts, total disbursements, and ending cash balance of each fund presented. The various revenue sources and disbursement categories were not shown.

Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annually, a full and detailed account of the receipts, disbursements, and indebtedness of the city. Complete financial statements are necessary to keep the citizens informed of the financial activity and condition of the city.

C. The 1998 annual financial report submitted by the city to the State Auditor's office as required by Section 105.145, RSMo 1994, was inaccurate and incomplete. The report did not include the financial activity and balances of the Police Vehicle Grant Fund, the Police Department COPS Grant Fund, and the Community Development Block Grant Fund. Some receipt and disbursement classifications were omitted from the report and classification totals were not indicated for some funds. In addition, the beginning cash balances plus receipts, less disbursements did not agree to the ending cash balance for two funds and the report did not document the city's bonded indebtedness.

The board should ensure the annual financial reports required pursuant to Section 105.145, RSMo 1994, accurately and completely reflect the financial activity and balances of the various city funds, and the city's bonded indebtedness.

D. The city has not obtained annual audits of the combined waterworks and sewage system. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined waterworks and sewage system, and the cost of the audits is to be paid from the revenues received from the system. In addition, annual audits are required by the city's combined waterworks and sewage system bond covenant.

In addition to being required by state law and the city's bond covenant, annual audits of city funds would help ensure city financial transactions have been properly recorded.

WE RECOMMEND the Board of Aldermen:

A. Formally adopt the annual budgets prior to the beginning of the fiscal year for all city funds and ensure reasons for budget amendments are documented in a resolution. In addition, the board should ensure annual budgets include all relevant information required by state law, and sign or initial budgets and budget amendments and retain them with the official minutes.

B. Publish complete, detailed semi-annual financial statements of all of the financial activity and indebtedness of the city.

C. Ensure the annual financial reports prepared and submitted to the State Auditor's office accurately and completely reflect the financial activity and balances of the various city funds and the bonded indebtedness.

D. Obtain annual audits of the combined waterworks and sewage system as required by state law and the city's bond covenant.

AUDITEE'S RESPONSE

We plan to implement these recommendations.

4. Accounting Controls and Procedures

A. The Board of Aldermen has not appointed a separate individual to serve as City Treasurer. The City Clerk also serves as the City Treasurer, and with the exception of the functions related to the collection of property taxes, Police Department COPS Grant functions, and Community Development Block Grant functions, this individual is responsible for most of the record keeping duties of the city. These duties include receiving and depositing monies, handling the utility billings and collections, preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the segregation of duties necessary for a proper evaluation and

review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

B. Deposits are not made on a timely basis, with deposits being made only approximately once a week. To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

C. Although there is an occasional reference to a specific invoice being approved for payment, the board minutes usually only make general reference that invoices are approved for payment. In addition, a supplementary listing of all disbursements is not prepared to accompany the minutes and document the invoices approved.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

WE RECOMMEND the Board of Aldermen:

A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

B. Ensure deposits are made on a daily basis or when accumulated receipts exceed $100.

C. Document approval of all disbursements by including a listing of all approved disbursements in the board minutes.

AUDITEE'S RESPONSE

A. We contacted the Missouri Municipal League and were told that appointing the same individual as City Clerk and City Treasurer was a common and acceptable practice. Instead of appointing separate individuals, we will attempt to establish independent reviews of the City Clerk's work.

B&C. We have already implemented these recommendations.

5. Restricted Revenues

A. During the year ended December 31, 1998, the city deposited $13,164 of state motor vehicle-related receipts and $3,813 of county road sales tax receipts into the General Fund. During 1998, the city spent $2,035 on street repairs and $13,452 for police department expenses. The city has not established a separate accounting for these receipts

and related disbursements. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The county sales tax monies were approved by county voters for road and bridge capital improvements.

To ensure compliance with the Missouri Constitution, the city should maintain separate funds or separate accountings of motor vehicle-related receipts and county sales tax receipts and ensure these receipts are used only for the purposes allowed by the constitution and the county sales tax ballot. The unspent balance of these receipts should be accounted for separately along with future receipts.

B. Law enforcement training fees are not accounted for separately or maintained in a separate fund. During the year ended December 31, 1998, the city received approximately $256 in training fees and did not incur any training-related expenditures. Section 590.140, RSMo Cumulative Supp. 1998, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

WE RECOMMEND the Board of Aldermen establish separate funds or separate accountings of state motor vehicle-related receipts, county sales tax receipts, and law enforcement training fees to ensure compliance with the Missouri Constitution and state law.

AUDITEE'S RESPONSE

We will implement this recommendation.

6. Ordinances, Payroll Matters, and Contracts

A. The city has not adopted an ordinance establishing the term of office for the City Clerk as required by Section 79.320, RSMo 1994. To ensure compliance with state law and to avoid misunderstandings, the board should adopt an ordinance which specifies the term of office of the City Clerk.

B. The police compensation ordinance does not clearly indicate the compensation rate for each officer. Ordinance 236 indicates compensation is the same rate of pay provided in the COPS grant, but the COPS grant agreement does not specify an hourly rate for each officer. The Police Chief apparently determined the pay rate for himself and each officer. The hourly rates paid were normally from $10 to $12.50; however, one officer was paid $8 per hour during one month and the Police Chief was paid $20 per hour during one month.

To avoid misunderstandings, the board should adopt an ordinance which clearly indicates the rate of compensation paid to each police officer.

C. By ordinance, the city has appointed a law firm in the area to provide city attorney services. One attorney in the firm acts as the City Attorney. The ordinance does not indicate the rate of compensation and the city has not entered into a written contract with this firm.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the Board of Aldermen:

A. Adopt an ordinance to establish the term of office of the City Clerk, in accordance with state law.

B. Adopt an ordinance that clearly indicates the rate of compensation paid to each police officer.

C. Enter into a written contract with the City Attorney's law firm for legal services.

AUDITEE'S RESPONSE

A. We will specify the term of office for the City Clerk.

B. We will implement this recommendation.

C. This recommendation has already been implemented.

7. Building Conditions

The city has not adopted formal plans to address citizens' concerns regarding building conditions. The city purchased two properties containing dangerous and unsafe buildings and paid to have the buildings demolished and removed. However, the city has not formally identified all remaining dangerous and unsafe buildings or developed formal plans to ensure the buildings are repaired or demolished. The city unsuccessfully attempted to negotiate the purchase of two other properties that contained dangerous and unsafe buildings.

Ordinance 186 defines dangerous and unsafe structures, outlines the city's standards and procedures for ordering repair, vacation, or demolition of any dangerous and unsafe structure, and outlines procedures for notifying structure owners, occupants, and possessors. The ordinance indicates that if compliance with the order is not achieved within thirty days of such order, the Board of Aldermen may cause such structures to be repaired, vacated, or demolished and removed, and add the cost to the tax bill of the property as a special assessment and a lien against the property. The ordinance also indicates any owner, occupant, or possessor of a dangerous or unsafe structure that fails to comply with the ordinance may be fined up to $500 for each day of noncompliance. The city has sent notices to some building owners that have not complied with the orders, but the city has not pursued fines or performed the necessary work and added the cost to the tax bill of the property.

To preserve the health and safety of city residents, the city should formally identify all dangerous and unsafe structures within the city and enforce Ordinance 186 to ensure the structures will be repaired or demolished.

WE RECOMMEND the Board of Aldermen formally identify all dangerous and unsafe structures within the city and enforce Ordinance 186 to ensure the structures will be repaired or demolished.

AUDITEE'S RESPONSE

We agree that the unsafe buildings need to be demolished. We have tried to purchase some of these buildings in an attempt to demolish them. We will continue to work with the building owners to address the citizens' concerns.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

COUNTY EMPLOYEES' RETIREMENT FUND

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-116
December 7, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

YELLOW SHEET

The following audit found the County Employee's Retirement Fund (CERF) Board of Directors did not solicit requests for proposals for an actuarial consulting service and plan design contract, nor for a legislative consulting contract.

The actuarial consulting service and plan design contract, dated October 30, 1998, indicated the consultant will charge a fixed fee not to exceed $200,000. In addition, the CERF Board of Directors is currently negotiating a contract for additional services with the same consultant estimated to cost up to $750,000.

The legislative consulting contract, dated December 18, 1998, indicated the consultant will charge an annual fee of $30,000 plus reimbursement for reasonable and necessary expenses.

Without requesting proposals for such services, the CERF Board of Directors has not ensured it will receive these services at a fair price.

We recommend the CERF Board of Directors request proposals for all professional services. Requests for Proposals (RFP's) ensure the board is making every attempt to secure the best services available for a competitive price. Competitive bidding is a standard management practice understood by contractors and should be implemented.

COUNTY EMPLOYEES' RETIREMENT FUND

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Board of Directors
and
Sarah J. Maxwell, Executive Director
County Employees' Retirement Fund
Jefferson City, Missouri 65102

The State Auditor is required by Section 50.1030.5, RSMo 1994, to audit the County Employees' Retirement Fund and the operations of the board. The Board of Directors engaged Evers and Company, Certified Public Accountants (CPAs), L.L.C., to perform annual audits of the fund's financial statements for the years ended December 31, 1998 and 1997. To satisfy our statutory obligation and minimize duplication of efforts, the State Auditor has used the work of the CPAs. We reviewed the reports and substantiating workpapers of the CPAs to satisfy ourselves as to the appropriateness of using their reports, and we accept them in partial fulfillment of our responsibility under Section 50.1030.5, RSMo 1994.

The objectives of our review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions, as we deemed necessary or appropriate in the circumstances.

2. Examine certain management practices.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the fund's board minutes, various contracts, and other pertinent policies, and discussed various fund procedures with applicable personnel.

As part of our review, we assessed the fund's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance

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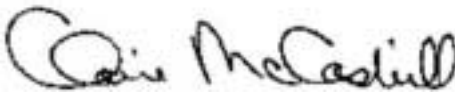
on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This background information was obtained from the fund's management and was not subjected to the procedures applied in our review of the County Employees' Retirement Fund.

Our comments on internal controls, compliance with legal requirements, management practices, and related areas are presented in the accompanying Management Advisory Report.



Claire McCaskill
State Auditor

September 23, 1999 (fieldwork completion date)

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Recommendations

In addition to our review of the reports and substantiating working papers of Evers and Company CPA's, L.L.C., we included those procedures which we considered necessary in the circumstances.
We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions, and thus, did not include all regulatory provisions which may apply. Nevertheless, our review disclosed no conditions that represent significant violations.

During our review, we identified a certain management practice which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the finding presented in our report should not be considered as all-inclusive of areas where improvements may be needed.

The period of review for the purposes stated above included, but was not necessarily limited to, the two years ended December 31, 1998.

Professional Services Contracts

The County Employees' Retirement Fund (CERF) Board of Directors did not solicit requests for proposals for an actuarial consulting service and plan design contract or a legislative consulting contract. The actuarial consulting service and plan design contract, dated October 30, 1998, indicated the consultant will charge a fixed fee not to exceed $200,000. In addition, the CERF Board of Directors is currently negotiating a contract for additional services with the same consultant estimated to cost up to $750,000. The legislative consulting contract, dated December 18, 1998, indicated the consultant will charge an annual fee of $30,000 plus reimbursement for reasonable and necessary expenses. Without requesting proposals for such services, the CERF Board of Directors has not ensured it will receive these services at a fair price.

WE RECOMMEND the CERF Board of Directors request proposals for all professional services.

AUDITEE'S RESPONSE

The Board of the County Employees' Retirement Fund has sought advice from its legal counsel on several occasions as to whether it was required to solicit requests for proposals for professional services. Based on oral and written advice from its legal counsel, the board did not seek requests for proposals for its most recent actuarial and plan design services and its legislative consulting services. The board notes that there is no legal or statutory requirement that it seek bids for these professional services.

In the circumstances noted, the board determined that there were compelling reasons to contract for services without a request for proposal process. However, the board recognizes the value of conducting a bid or review process and will make a concerted effort to do so in the future as circumstances allow.

This report is intended for the information of the fund's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

COUNTY EMPLOYEES' RETIREMENT FUND
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The County Employees' Retirement Fund (CERF) was created under an act of the 87th General Assembly, commenced operation on August 24, 1994, and is governed by Sections 50.1000 to 50.1200 of the Revised Statutes of Missouri. The CERF is a defined benefit plan providing retirement and death benefits to its members. The CERF is an agent multiple-employer, statewide public employee retirement plan for certain employees in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

The responsibility for the operation and administration of the retirement fund is vested in the CERF Board of Directors, consisting of nine elected CERF members representing different, elective county offices. Board members are elected by the general membership of the Fund. As of December 31, 1998, the members of the Board of Directors were:

Name	Position	Term Expires
Kay Murray	Chairperson	December 31, 2001
Dick Jones	Vice Chairperson	December 31, 1999
Rosemary Gannaway*	Member	December 31, 2000
Elaine Luck**	Member	December 31, 1998
Wayne Scharnhorst	Member	December 31, 2001
Fred Ward	Member	December 31, 2001
Bettie Johnson**	Member	December 31, 1998
Jerry Reynolds	Member	December 31, 2000
Frank Sifford**	Member	December 31, 1998

* Elected to complete the unexpired term of Sue Barr, effective January 1999.
** These members were elected to new four year terms expiring December 31, 2002.

Effective August 28, 1999, two additional directors who have "no beneficiary interest" in the fund will be appointed by the Governor with the advice and consent of the Senate. All members serve four year terms.

Sarah J. Maxwell has served as Executive Director since her appointment on February 26, 1998. The Executive Director coordinates the daily operations of the retirement fund and with the approval of the board, contracts for professional services needed to operate the system. Effective July 1, 1999, the board approved a plan to hire employees and begin performing some of the fund's administrative duties in-house.

The Board of Directors has appointed AON Consulting, of Atlanta, Georgia as actuarial and plan design consultants. As of December 31, 1998, the following investment managers held investments for the CERF: Boone County National Bank of Columbia, Missouri; Roxbury Capital Management of Santa Monica, California; and Brandes Investment Partners, L.L.P. of San Diego, California. Boone County National

Bank also serves as the fund's plan administrator and investment custodian manager. Asset Consulting Group, Inc. of St. Louis, Missouri serves as the fund's investment consultant. Brydon, Swearengen, and England P.C. of Jefferson City, Missouri serves as the fund's legal counsel. Madsen-Wright, Inc. of Jefferson City, Missouri serves as the fund's legislative consultant. Evers and Company, CPAs, L.L.C. of Jefferson City, Missouri serves as the fund's independent auditor.

As of December 31, 1998, there were 111 contributing employers to the fund which includes 8,733 active members, 551 terminated vested members, and 702 retired members and beneficiaries.

As of December 31, 1998, membership, required contributions, and benefits provided under the CERF are generally as follows:

Eligibility

Membership is provided for any county elective or appointive officer or employee who is hired and fired by the county and whose work and responsibilities are directed and controlled by the county and who is compensated directly from county funds whose position requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year, except for any city not within a county and any county of the first classification having a charter form of government. Individuals who are specifically excluded from CERF include county prosecuting attorneys covered under the Prosecuting Attorneys and Circuit Attorneys Retirement System, circuit clerks and deputy circuit clerks covered under the Missouri State Employees Retirement System, and county sheriffs covered under the Sheriff's Retirement System.

County Contributions

Funding is provided in accordance with Section 50.1020, RSMo Cum Supp. 1998. In all counties except counties of the first class having a charter form of government and any city not within a county, the retirement fund will receive a portion of delinquent property tax penalties, late assessment penalties, a portion of recording document fees, a portion of merchants licenses, and any interest derived from the collection and investment of any part of the penalties and fees.

Employee Contributions

In all counties except counties of the first class having a charter form of government and any city not within a county, the retirement fund will receive a 2 percent payroll deduction from the compensation of all covered county employees who are not members of the Local Government Employees' Retirement System (LAGERS). Employees who qualify for membership in LAGERS are not subject to any payroll deductions in connection with their membership in the CERF.

Fund Retirement Benefits

Fund retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements.

NORMAL RETIREMENT

A member may retire under the standard formula with full benefits at age sixty-two with eight or more years of creditable service. There is no early retirement option.

Fund retirement benefits for members not belonging to LAGERS are 1.5 percent of Average Final Compensation (AFC), times years of creditable service, to a maximum of 50 percent of AFC. Fund retirement benefits for LAGERS members are 1 percent of AFC, times years of creditable service. AFC is the average for the highest two years of compensation.

PAYMENT OPTIONS

A retiring member may elect to receive a life income annuity and receive full benefit with no survivor option, or married members may elect one of the three (50 percent, 75 percent, or 100 percent) joint-and-survivor options to provide survivor benefit coverage in varying degrees after the retiree's death. Under the joint-and-survivor options, the member would receive a lesser monthly payment (with members electing the 100 percent option receiving less than members electing 75 percent and members electing 75 percent receiving less than members electing 50 percent) during his or her lifetime than if they choose the single life annuity. However, after the retiree's death, the surviving spouse will continue to receive a
benefit for their lifetime in the amount of the percentage elected by the member times the monthly payment the retiree received. All benefit payments terminate upon the death of the surviving spouse.

Cost-of-Living Adjustments

All retired members are eligible for an annual post-retirement cost-of-living adjustment (COLA) provided they are presently drawing a retirement benefit and have not waived their right to receive the COLA increase. The adjustment, approved annually by the Board of Directors, may increase retirement benefits by up to two percent per year, based on the increase in the Consumer Price Index and subject to a maximum lifetime increase of fifty percent of the initial benefit.

Opt Out Provision

Any county employee may elect in writing to opt out of the retirement system.

Termination of Employment

Members who terminate membership, other than by death, prior to attaining eight years of membership service will receive a refund of payroll contributions, unless the member elects upon termination to purchase

prior service which, when combined with membership service, would total eight years or more. Members who terminate membership, other than by death, after attaining eight years of membership service shall not receive a refund of payroll contributions upon termination, but shall be vested in the system.

Death Benefit

Active members are eligible to receive a $10,000 death benefit if they are actively employed by the county or on recognized medical leave. The benefit will be paid to beneficiaries named by the member or to default beneficiaries if none are named.

Survivor's Benefits

If a member is fully vested, dies prior to retirement, and has made an election to purchase prior service, the surviving spouse, if married for at least two years prior to the member's death, may apply to receive a fifty percent joint and survivor annuity commencing the first day of the month following the member's death if the member was sixty-two or older or beginning the first day of the month following the date the member would have attained age sixty-two had the member lived. Alternatively, if the member was not age sixty-two or older at the time of death, the surviving spouse may elect to receive a benefit which is the actuarial equivalent of the fifty percent joint and survivor annuity, reduced for early commencement, beginning on the first day of the month following the date of the member's death.

Special Consultants

A person who was a full-time employee and ended county employment between January 1, 1990, and August 27, 1994, and had eight or more years in which they completed not less than one thousand hours of service, may apply for a retirement benefit from CERF as a special consultant. Special consultants may draw an annuity based on one percent (LAGERS) or one and one-half percent (Non-LAGERS) of their average final compensation times years of creditable service. A buyback of two or three percent of their average final compensation times the number of years purchased, accordingly, must be completed in order to draw an annuity. Special Consultants must make at least a fifty percent lump sum purchase of their prior service prior to receiving a benefit, with the option of paying the other fifty percent in full at the time they begin drawing an annuity or through monthly deductions from the benefit not to exceed four years.

Purchase of Prior Service

Service prior to August 28, 1994, may be purchased to apply toward a retirement benefit. Any member with less than eight years of membership service must make a purchase of prior service in order to draw an annuity.

Senate Bill No. 467

Senate Bill No. 467, effective January 1, 2000, makes various changes to the CERF. Major changes resulting from enactment of Senate Bill No. 467 include:

OPT OUT PROVISION

County employees who are members on January 1, 2000 and county employees who are hired after January 1, 2000 shall no longer be permitted to opt out of the retirement system.

FUND RETIREMENT BENEFITS

The normal annuity of a retired member who is not a member of LAGERS shall be a monthly benefit equal to the greater of twenty-four dollars multiplied by years of creditable service (up to a maximum of twenty-five years), or an amount determined according to a new formula taking into account the member's monthly primary Social Security benefit.

A member who terminates with at least eight years of creditable service may elect to receive a normal annuity from the fund after reaching age fifty-five. However, the normal annuity shall be reduced by four-tenths of one percent for each month the commencement date of the annuity precedes age sixty-two, and an additional three-tenths of one percent for each month the commencement date of the annuity precedes age sixty.

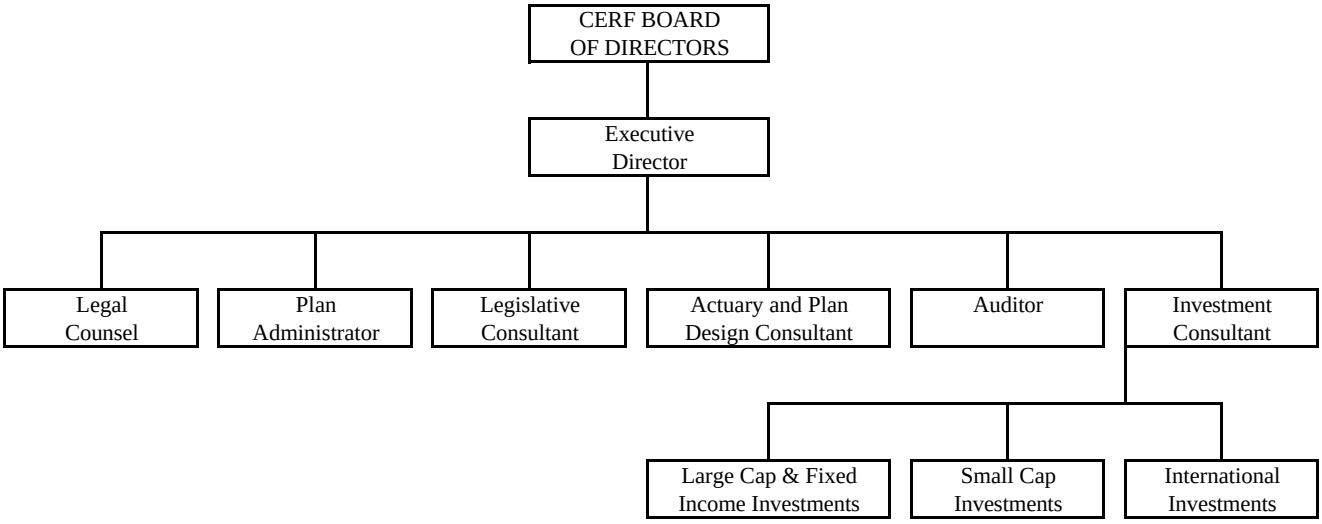
DEFINED CONTRIBUTION PROGRAM

Effective with calendar years ending after January 1, 2000, the board shall, if actuarially feasible, make contributions to defined contribution accounts established on behalf of members of the retirement system. The board's contribution shall be made from certain revenue sources only if it is determined that the entire amount of such revenues need not be contributed to the defined benefit retirement system in order to keep such retirement system actuarially sound.

Employees who are not a members of LAGERS shall make contributions of seven-tenths of one percent of their compensation to defined contribution accounts established on each employee's behalf.

Members are eligible to receive a distribution from their defined contribution account as soon as administratively feasible following termination of employment, or may choose to receive the account balance at a later time. The account balance shall be paid in a single sum.

COUNTY EMPLOYEES' RETIREMENT FUND
ORGANIZATION CHART
DECEMBER 31, 1998



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AUDIT REPORT

REVIEW OF THE

KANSAS CITY

BOARD OF POLICE COMMISSIONERS

From The Office Of State Auditor
Claire McCaskill

Report No. 99-115
December 6, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

YELLOW SHEET

The following problems were discovered as a result of our office's most recent audit of the Kansas City Board of Police Commissioners. Earlier this year, the Kansas City Police Department (KCPD) requested the State Auditor's Office audit its Forfeiture Fund; the department's Forfeiture Fund audit was included in our statewide report on forfeited property (Report No. 99-97).

The following audit was conducted along with that request.

The KCPD Personnel Policy No. 450 provides that retiring employees will be compensated for any accumulated unused sick leave. It would appear this policy is intended to reduce the amount of sick leave used by department personnel.

This policy may be excessive compared to buyout plans of other law enforcement agencies, and appears to be a drain on departmental resources. In addition, this policy may not be a cost-effective means of reducing sick leave. Sick leave buyout payments for the two years ended April 30, 1999 totaled $3.9 million.

Based on the significant costs of the sick leave buyout program and the comparison of the KCPD's policy with other similar departments, the State Auditor recommended the KCPD reevaluate its policies and consider limiting the amounts paid to individuals under this program. It appears there are various alternatives to the present policy that would allow the department to continue to provide a benefit to employees at a lesser cost. These alternatives could include, but not be limited to, maximum levels of payout phased in over a period of time, reductions in the payout ratios, or possible conversion to a retirement enhancement device whereby unused sick leave is converted to additional months of service used in the calculation of retirement benefits.

During the two years ended April 30, 1999, the KCPD expended approximately $2.5 million on new vehicles. The department purchased 94 new marked and unmarked cars, 10 motorcycles, 10 bicycles, and 20 other vehicles, which included a command post bus costing approximately $300,000. The fleet operation unit, which is part of the Executive Services Bureau, is responsible for maintaining the department's fleet of approximately 750 marked and unmarked police cars, motorcycles, and other vehicles. The unit provides routine preventive maintenance, repairs, and body work for the department's vehicles.

The State Auditor's review of fleet operations noted that the department has not adopted a vehicle replacement plan which sets guidelines for the retirement of police vehicles. Vehicles are funded through the annual budget process, so replacement requests compete with other

(over)

spending priorities. For the past several years, fleet operations has received an appropriation from the city of approximately $500,000 to purchase new vehicles. Additional, or alternative, funding for vehicle purchases of approximately $400,000 may also come from special revenue or grant funds. However, department personnel indicated that the alternative funding sources are not stable and cannot be relied on for vehicle replacement.

The auditors determined the average age of the entire department's fleet to be approximately 6.1 years and the average mileage to be approximately 100,000 miles as of February 1999. In addition, the audit noted at least 157 cars in the fleet with in excess of 150,000 miles, and 224 of 750 vehicles were over 7 years old.

Police vehicles are a very important part of officers being able to provide timely assistance to citizens. As a result, the department needs to develop a vehicle replacement plan that will allow for a reduction in the average mileage and age of its fleet. By maintaining a fleet of lower mileage and newer vehicles, the department should reduce vehicle down time and increase department efficiency.

We also reviewed reports of repair costs prepared for December 31, 1997 and 1998, as well as April 30, 1999, and selected several vehicles on a test basis to determine the amount of fleet resources which were being expended on wrecked, higher mileage vehicles. We found in several instances that the amount of resources expended to repair a vehicle did not appear reasonable based on the age and mileage of the vehicle.

The Fleet Operations Unit indicated that in some instances, even though the costs to repair a vehicle are high, the department has no choice but to fix the vehicle because funding is not available to replace them. **During our review of these reports, we noted the department spent approximately $10,000 to repair a 1996 Ford Crown Victoria with over 77,000 miles, and approximately $8,000 to repair a 1992 Ford Crown Victoria with over 160,000 miles. It appears the department has repaired vehicles which should have been considered for retirement.**

Other findings include:

- Disbursement of funds by the Kansas City Board of Police Commissioners for which no public purpose was documented.

- The Accounting Unit's controls and procedures could be improved. All monies received are not transmitted daily.

- In regard to the Record's Unit, accounting duties are not adequately segregated. Also, the method of payment is not indicated on receipt slips, mail logs are not kept to record each check received by mail, and mail receipts are not processed on a timely basis. Access to collections is not adequately controlled.

- Some fixed assets of the department are not properly numbered, tagged, or otherwise identified, and physical inventory procedures need to be improved.

REVIEW OF THE
KANSAS CITY BOARD OF POLICE COMMISSIONERS

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D	Comparative Schedule of Cash and Cash Equivalents, Expendable Trust Funds and Agency Funds, April 30, 1999, 1998, 1997, and 1996	46

STATE AUDITOR’S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

The Board of Police Commissioners of the
Kansas City Police Department
Kansas City, Missouri 65106

We have conducted a review of the Kansas City Board of Police Commissioners (KCBPC). The scope of our review included, but was not necessarily limited to, the two fiscal years ended April 30, 1999. The objectives of this review were to:

1. Review certain revenues received and certain expenditures made by the Kansas City Police Department.

2. Review the cash balances and the related individual account balances of the Treasurer's funds.

3. Review certain management practices and financial information for compliance with constitutional provisions, statutes, attorney general's opinions, and board policies as we deemed necessary or appropriate in the circumstances.

4. Follow-up on the status of recommendations made in our previous report.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The KCBPC had engaged Arthur Andersen LLP, Certified Public Accountants (CPA), to perform audits of the board for the years ended April 30, 1999, and 1998. To minimize any duplication of effort, we reviewed the reports and substantiating workpapers of the CPA firm. We also examined the KCBPC records we deemed necessary; made inquiries of KCBPC employees; and examined other papers and documents as deemed appropriate for the review.

As part of our review, we assessed the KCBPC's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

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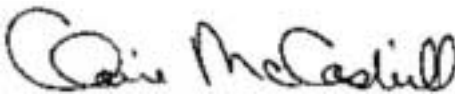
Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information are presented for informational purposes. This information was obtained from the KCBPC's management and was not subjected to the procedures applied in the review of the KCBPC.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the KCBPC.



Claire C. McCaskill
State Auditor

June 18, 1999 (fieldwork completion date)

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

REVIEW OF THE
KANSAS CITY BOARD OF POLICE COMMISSIONERS
SUMMARY OF FINDINGS

1. Fleet Operations (pages 8-11)

   The department has not developed and implemented a vehicle replacement plan and has not adopted policies and procedures to ensure performance objectives are met. It has expended significant repair dollars on wrecked vehicles that possibly should have been replaced instead of being repaired.

2. Questionable Expenditures and Bidding (pages 11-14)

   The Kansas City Board of Police Commissioners (KCBPC) expended approximately $50,000 on disbursements for which a public purpose was not demonstrated and $7,050 to not-for-profit organizations for annual dinner banquets. The department did not consistently follow its written bid policy. The department made transfers between funds that were not repaid.

3. Sick Leave Buyout (pages 14-16)

   Current Kansas City Police Department (KCPD) policies provide that departmental employees will be compensated for any accumulated unused sick leave upon retirement. Sick leave buyout payments in 1998 and 1999 totaled $3.9 million. This policy appears to be a drain on departmental resources and may be excessive compared to buyout plans of other law enforcement agencies.

4. Records Unit Controls and Procedures (pages 16-18)

   Accounting duties are not adequately segregated. The method of payment is not indicated on receipt slips. Mail logs are not kept to record each check received by mail and the mail receipts are not processed on a timely basis. Access to collections is not adequately controlled.

5. Accounting Unit Controls and Procedures (pages 18-20)

   The accounting unit's controls and procedures could be improved. All monies received are not transmitted daily. An exception report is not reviewed for outside bonds.

6. Inventory Controls and Procedures (pages 20-21)

   Inventory records are not maintained in a manner to identify beginning balance, additions, deletions, and ending balance. Physical inventories in the Supply Unit are performed by the same employees that have custody of inventories. Accounting duties in the Fleet Operations Unit are not adequately segregated.

7. Fixed Assets (pages 21-22)

Physical inventories are performed by the same unit that has custody of fixed assets. Some fixed assets are not properly numbered, tagged, or otherwise identified as KCBPC's property.

1. Fleet Operations

During the two years ended April 30, 1999, the KCPD expended approximately $2.5 million on new vehicles. The department purchased 94 new marked and unmarked cars, 10 motorcycles, 10 bicycles, and 20 other vehicles, which included a command post bus costing approximately $300,000. The fleet operation unit, which is part of the Executive Services Bureau, is responsible for maintaining the department's fleet of approximately 750 marked and unmarked police cars, motorcycles, and other vehicles. The unit provides routine preventive maintenance, repairs, and body work for the department's vehicles. During our review of fleet operations, we noted the following concerns.

A. The department has not adopted a vehicle replacement plan which sets guidelines for the retirement of police vehicles. Vehicles are funded through the annual budget process, so replacement requests compete with other spending priorities. For the past several years, fleet operations has received an appropriation from the city of approximately $500,000 to purchase new vehicles. Additional, or alternative, funding for vehicle purchases of approximately $400,000 may also come from special revenue or grant funds. However, department personnel indicated that the alternative funding sources are not stable and cannot be relied on for vehicle replacement.

A comprehensive study, performed by the department's planning and research unit in 1997, evaluated the size and allocation of the department's fleet and made recommendations for potential vehicle replacement plans. This study recommended the department have approximately $1.9 million in funding each year for the next eight years for new car purchases to adequately update the department fleet, with the objective to have no car in the fleet with more than 150,000 miles or over seven to eight years old. Part of this study was a comparison with other similar sized police departments to determine their fleet sizes, budget allocations, and vehicle replacement plans. The study found that funding for vehicle replacement for those other comparable police departments was between 50 percent and 750 percent greater each year than the KCPD. As a result, most of these other departments were able to maintain a more timely vehicle replacement rate.

We reviewed the age and mileage of the department's fleet as of February 1999 and determined the average age of the entire department's fleet to be approximately 6.1 years and the average mileage to be approximately 100,000 miles. In addition, we noted at least 157 cars in the fleet with in excess of 150,000 miles, and 224 of 750 vehicles were over 7 years old.

Police vehicles are a very important part of officers being able to provide timely assistance to citizens. As a result, the department needs to develop a vehicle replacement plan that will allow for a reduction in the average mileage and age of its fleet. By maintaining a fleet of lower mileage and newer vehicles, the department should reduce vehicle down time, increase department efficiency and will be able to reduce maintenance costs for maintaining the department's fleet. If additional city funding is necessary but not available, the department should consider allocating funds from their Special Services Fund to purchase vehicles. At April 30, 1999, the balance of the Special Services Fund was approximately $1.6 million. The monies in this fund are restricted for valid police purposes. The department has pursued Law Enforcement Block Grants to provide additional funds for vehicles in the past and should continue to do so.

The department should also consider using part of the fleet purchases funding in the next year to purchase some used Missouri State Highway Patrol (MSHP) vehicles. These vehicles are retired from service by the MSHP when they reach approximately 50,000 miles. Current prices for 1996 and 1997 Ford Crown Victoria police package vehicles with approximately 50,000 miles are $11,250 and $13,250, respectively. Considering a new Ford Crown Victoria police package vehicle is approximately $20,000, it appears the department could buy three used 1997 MSHP vehicles for the same price as two new vehicles. This would allow the KCBPC to increase the number of lower mileage vehicles it can purchase with its limited resources.

B. The Fleet Operations Unit has developed several performance objectives to help measure whether the unit is meeting their monthly goals. These objectives are listed in the monthly summary reports submitted to the Division Commander. The objectives include:

1) To initiate repairs on all preventive maintenance "B" service inspections (comprehensive inspections which are to be completed every 20,000 miles) within three working days from date of service order.

2) To save an average of $900 per month by using internally salvaged parts in lieu of purchasing new parts.

3) To maintain the number of vehicles kept at the garage for 24 hours or more at less than 20 percent (excluding wrecks).

4) To establish an average response time of 20 minutes or less for department tow and service calls.

5) To initiate vehicle body repair on 75 percent of damaged vehicles within four working days of being brought to the garage.

We reviewed the monthly reports which listed the above objectives as well as the units performance for each month and evaluated how well the unit was performing based on their own objectives. It appears that the Fleet Operations Unit was significantly deficient in meeting its goals for objectives one and five during both years of our review.

Performance objectives are a useful management tool for analyzing the performance of employees. However, when the objectives are not being met on a regular basis, management is forced to determine the cause. No changes have been made to the objectives in the fleet unit for several years and there has been no significant changes in the operations of the fleet unit recently. Based on our review of the department's performance related to these stated objectives, it appears management needs to evaluate the unit's operations and determine if changes in procedures are necessary to meet the performance objectives.

C. The unit maintains reports which note vehicles which are being held in fleet with "major" damage, but that are still repairable. The reports give descriptions of the vehicles, mileage, the date the accident occurred, and the estimate of parts and labor to repair the vehicle. We reviewed reports prepared for December 31, 1997 and 1998, as well as April 30, 1999, and selected several vehicles on a test basis to determine the amount of fleet resources which were being expended on wrecked, higher mileage vehicles. We found in several instances that the amount of resources expended to repair a vehicle did not appear reasonable based on the age and mileage of the vehicle. The Fleet Operations Unit indicated that in some instances, even though the costs to repair a vehicle are high, the department has no choice but to fix the vehicle because funding is not available to replace them.

During our review of these reports, we noted the department expended approximately $10,000 to repair a 1996 Ford Crown Victoria with over 77,000 miles, and approximately $8,000 to repair a 1992 Ford Crown Victoria with over 160,000 miles. It appears the department has repaired vehicles which should have been retired. During the past several years, based on a review of department budgets, more money has been appropriated for repairs to fleet vehicles from the city's General Fund than has been appropriated for new vehicle purchases. The unit does take a preventive approach to vehicle maintenance, which is probably necessary considering the age and average mileage of the department's fleet. It appears in instances similar to those cited above that the department should consider alternatives to repairing these badly damaged, higher mileage vehicles. Alternatives could include requesting the city appropriate additional city funds to replace wrecked vehicles in the next fiscal year budget or to purchase used MSHP vehicles rather than expend the repair dollars. Based on information noted earlier, it appears the department could have purchased two 1996 Ford Crown Victorias with 50,000 miles each for an amount only slightly more than they spent fixing the 1992 and 1996 Fords cited above, and the used MSHP vehicles would have had significantly lower mileage than either

of the cars repaired. The department has not established any guidelines to evaluate the cost effectiveness of repairs to older high mileage vehicles.

The department should analyze all alternatives available when making the decision to repair a vehicle. In the future, the department should perform a cost benefit analysis to determine whether to repair or replace a wrecked vehicle.

WE RECOMMEND the department:

A. Develop and implement a vehicle replacement plan and continue to pursue adequate funding for the purchase of new and used replacement vehicles to accomplish the objectives of the plan.

B. Review and monitor the fleet unit's performance using the internally prepared performance measures and, if necessary, make changes to its procedures to meet these objectives.

C. Review policies and procedures for maintenance and repairs to wrecked or damaged vehicles. The department should also consider alternatives to repairing older high mileage wrecked vehicles such as purchasing used patrol cars from the MSHP.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

A. The department has requested additional funding from the city in the past to upgrade the department fleet. The normal appropriation from the city for vehicle replacements is $500,000. The department has also provided additional funding from the department special revenue funds for vehicle replacements. The department will continue to pursue adequate funding for vehicle replacements. A new replacement plan for department vehicles is currently being developed by the department's Planning and Research Unit.

B. A review of the goals and objectives has been made. Starting January 2000, the goals will be modified to utilize more realistic numbers. A new paint booth has also been ordered by the department which will enable the department to repair wrecked vehicles more expeditiously.

C. The new fleet study being prepared by the Planning and Research Unit will reevaluate the department's policy regarding when to repair wrecked police vehicles. The department has already purchased used patrol cars from the Missouri Highway Patrol and is evaluating the cost effectiveness of the program.

2. Questionable Expenditures and Bidding

A. During the two years ended April 30, 1999, our review noted disbursements totaling approximately $50,000 for which a public purpose was not demonstrated or documented. These monies were spent on flowers, cakes, cookies, fruit baskets, and retirement rings. In addition, these disbursements do not appear to be a prudent use of public funds.

B. The department does not always obtain formal written agreements with not-for-profit organizations receiving subsidies from the department. During the two years ended April 30, 1999, the KCBPC disbursed $7,050 to not-for-profit organizations for annual dinner banquets.

The Missouri Constitution prohibits the use of public money or property to benefit any private individuals, association, or corporations except as provided in the constitution. Without a written contract that clearly indicates the public services being provided by these organizations, these subsidies and uses could be considered to be in violation of the constitution.

Written contracts establish payment terms, clarify responsibilities and expectations of both parties, and help ensure the department receives the goods and services it requires. Furthermore, Section 432.070, RSMo 1994, requires all contracts to be in writing.

C. The KCBPC did not consistently follow its written bid policy. The department contracted with Arthur Andersen LLP, Certified Public Accountants (CPA) for an information technology management services, at a cost of $63,135. The department's purchasing policy requires formal competitive bidding related to contracts of $25,000 or more. The department justified this transaction by considering it a sole source procurement and an appropriate exception to the purchasing requirements since Arthur Andersen performs the department's annual financial audit. The department also indicated this was considered a consulting contract, which the department contends would not need to be bid under the provisions of Section 84.420.2(7), RSMo 1994, which states the Board of Police Commissioners shall retain or employ attorneys or other consultants as necessary to advise the board or the chief. We agree the Board has the power to hire consultants on a contractual basis, but we do not believe this alleviates the need to bid contracts. Based on our review of this situation, it does not appear this transaction represented a sole source procurement as contended by the department.

As a result of these situations, the department did not assure itself that it received the lowest and best price for the management services work because it was not competitively bid. Competitive bidding procedures for major projects provide a framework for the economical management of resources and help ensure the department receives fair value

by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the department's business.

D. During the two years ended April 30, 1999, the department made operating transfers totaling over $208,000 from the Special Services Fund to the Alert II Computer System Fund. Cash balances for the Alert II Computer System Fund at April 30, 1998 and 1999 were $802,679 and $782,546, respectively. No transfers were made from the Alert II Computer System Fund to repay the Special Services Fund. In addition, the department has budgeted a $500,000 operating transfer to be made during the year ended April 30, 2000, and has not budgeted for this amount to be transferred back.

The Alert II Computer System Fund was established to account for the computer charges assessed to various political subdivisions for use of the Alert II computer system. The department has explained that the above mentioned transfers are necessary, even though year end balances for the Alert II Computer System Fund appear adequate, because at various times throughout the year costs of the computer system exceed the available cash. They also indicated that even though the Alert II Computer System Fund balances would have been sufficient to allow the operating transfers to be repaid, they chose not to because eventually the Alert II Computer System Fund would be at a deficit balance and would need the money.

Making such large operating transfers means money is not available in the Special Services Fund to pay for other needs such as vehicles, capital improvements and over-time.

WE RECOMMEND the department:

A. Ensure disbursements are necessary and prudent uses of public funds.

B. Obtain written agreements specifying terms of payments and the responsibilities of both parties for all services received.

C. Ensure bids are solicited for all applicable purchases in accordance with the department's policy.

D. Discontinue making operating transfers of funds from Special Services Fund to the Alert II Computer System Fund, or if additional transfers are necessary, consider transferring the monies back when the Alert II Computer System Fund cash is available.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

A. *The flowers and fruit baskets are for ill or bereaved members and for department members upon the birth of a child. The retirement rings are given to members of the department who achieve twenty-five years of service. Upon retirement, cakes are bought for retirement ceremonies. The department considers these purchases as important in retaining personnel and for morale.*

B. *The department considers the attendance at not-for-profit banquets as a demonstration of community involvement. The department's participation in local events is in keeping with the department's community policing effort and builds strong partnerships with community groups.*

C. *The department does bid audit services. Arthur Andersen, LLP was the successful bidder on the current bid. The bid did include a clause to use the services of Arthur Andersen for special projects. The department chose to use Arthur Andersen for the information technology services because of their knowledge of the department's billing practices. The management services performed by Arthur Andersen dealt with financial matters concerning the Alert II system.*

D. *With the current configuration of the Alert II system, the revenues generated by the system will not sustain its operations. The system has incurred a large deficit since fiscal year 1994-1995. The current transfers into the fund postpone the deficit until the department can develop a new strategy pertaining to the operations of the Alert II system. The department's budget includes additional transfers of $500,000 in fiscal year 1999-2000 and fiscal year 2000-2001. Without the transfers, there is a possibility that the Alert II system would go deficit in the current fiscal year.*

AUDITOR'S COMMENT

C. The Arthur Andersen LLP personnel who performed the information technology services were all different personnel from those who performed the financial audit. Therefore, it is doubtful that any efficiency was provided by using the same vendor instead of bidding the information technology services.

3. Sick Leave Buyout

The KCPD Personnel Policy No. 450 provides that retiring employees will be compensated for any accumulated unused sick leave. It would appear this policy is intended to reduce the amount of sick leave used by department personnel.

The unused sick leave is paid based on the employee's salary rate at the date of separation times a conversion factor established for different categories of employees. The conversion rate for law enforcement personnel ranges from a 2 to 1 basis to an 8 to 1 basis depending on sick leave

accrual rate and reason for separation. The conversion rate for civilians ranges from 2 to 1 to 4 to 1 also depending on sick leave accrual rate and reason for separation. Effective January 1, 1995, employees (sworn or civilian) who are terminated or resign are not compensated for accumulated sick leave unless they were employed prior to January 1, 1994.

This policy may be excessive compared to buyout plans of other law enforcement agencies, and appears to be a drain on departmental resources. In addition, this policy may not be a cost-effective means of reducing sick leave.

We reviewed the KCPD separation files for the two years ended April 30, 1999 and noted that 108 employees separated because of retirement. Based on available department records, we determined that separation payments attributable to these retirees totaled approximately $4.5 million of which $3.9 million was for sick leave. The largest individual retirement payment in 1999 related to sick leave conversion was approximately $103,200, which reflected approximately 4,000 hours of converted sick leave.

During our review, we requested and received sick leave buyout policy information from several other law enforcement agencies (primarily metropolitan city police departments) and compared those policies to the KCPD policies. Comparisons with three responding departments indicated that all their employees either accrued fewer days of sick leave per year and/or in some ways are more limited than the KCPD in the payout that is allowed. For example, Cincinnati, OH pays accumulated sick leave up to a maximum of 600 hours for retiring members, and members who resign or are terminated lose any accumulated sick leave. St. Louis, MO pays on a 4-to-1 conversion ratio and prevents any employee who is convicted of a crime from receiving such payment.

We also determined that the Atlanta Police Department has no sick leave buyout program for its officers. Instead, accumulated sick leave is added to length of service when calculating retirement benefits.

We could find no empirical studies or other evidence that indicate sick leave buyout programs are an effective way to reduce sick leave usage. In addition, it does not appear the KCPD has performed any type of internal study to evaluate the cost-effectiveness of its policy. It is clear, however, that, because of the conversion ratios, there is less incentive for an employee expecting to leave the service of the KCPD prior to retirement to accumulate unused sick leave than an employee intending to make service to the department a career.

Based on the significant costs of the sick leave buyout program and the comparison of the KCPD's policy with other similar departments, the KCPD should reevaluate its policies and consider limiting the amounts paid to individuals under this program. It appears there are various alternatives to the present policy that would allow the department to continue to provide a benefit to employees at a lesser cost. These alternatives could include, but not be limited to, maximum levels of payout phased in over a period of time, reductions in the payout ratios, or possible conversion to a

retirement enhancement device whereby unused sick leave is converted to additional months of service used in the calculation of retirement benefits.

The police department's buyout policy is the same as the city of Kansas City's policy. The police officers employed prior to November 1987 have individual contracts with the department regarding sick leave buyout.

WE RECOMMEND the KCPD discuss with the city the reevaluation of the current sick leave buyout program, compare its program to those in other cities, and consider making revisions that would benefit the employees while also conserving available fiscal resources.

AUDITEE'S RESPONSE

The management of the KCPD provided the following response:

The department buyout policy is the same as the city and the department will take the recommendation under advisement.

4. Records Unit Controls and Procedures

The Records Unit serves as the department's cashier for certain fees and collects monies from individuals, attorneys and insurance companies for tow charges, report reproduction sales, and criminal record investigations. The Records Unit prepares the deposit and deposits the funds to either the city's bank accounts or transfers funds to the KCPD's accounting unit which deposits the money into the KCPD's own accounts. The Records Unit collected approximately $1,580,000 and $1,471,000 in fiscal years 1999 and 1998, respectively, with approximately five percent of receipts each year being collected through the mail. We noted the following areas of concern in the Records Unit:

A. Accounting and bookkeeping duties are not adequately segregated. Currently, all record-keeping responsibilities, including receiving, recording, and reconciling are performed by the cashiers. One cashier is responsible for preparing deposits and transmitting the monies to the Accounting Unit.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. Internal control could be improved by segregating the duties of receiving from recording of receipts and reconciling monies. If proper segregation of duties cannot be achieved, at a minimum there should be a documented independent comparison of receipt slips issued to amounts transmitted.

B. Receipt slips issued by the unit do not indicate the method of payment received. To ensure payments are transmitted intact, the method of payment should be indicated on all receipt slips issued. The composition of receipt slips issued should be reconciled to the composition of transmittals.

C. Our review noted the following concerns related to monies received through the mail:

1) Mail logs are not kept to record each check received by mail. To ensure all mail receipts are properly accounted for and recorded, logs should be maintained to record all mail receipts. The logs should be reconciled daily to receipt records.

2) Mail receipts are not processed on a timely basis and are not adequately secured during working hours. During our initial survey of mail receipts we observed mail being opened dating back four to eight weeks. Unopened mail is left in unlocked desk drawers during business hours. To provide proper safeguards against loss or misuse, mail receipts should be opened, receipted, and transmitted on a daily basis as received.

D. The Records Unit maintains a centralized cashier system. All monies are kept in three cash drawers. The cashiers on duty have access to all of the cash drawers. Not limiting access to the cash drawers increases the possibility of loss or misuse of funds and makes it difficult to determine the responsibility for any losses.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

A. Adequately segregate duties between available employee and/or establish a documented periodic review of records by an independent person.

B. Indicate the method of payment on receipt slips issued and reconcile total cash, check, and money orders received to transmittals to the Accounting Unit.

C.1. Maintain a log of all mail receipts and reconcile the log to receipt records on a daily basis.

2. Open, receipt, and transmit mail receipts when received.

D. Restrict access to the cash drawers to only one person per drawer.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

A. *Currently the workload in the Records Unit prohibits adequate segregation of duties. The department does require all department receipt slips pertaining to the Records Unit, including voided receipts, be brought along with the deposits to the Accounting and Payroll Section. A comparison is made of the receipt slips and the amount transmitted as outlined above. The range of the receipt numbers are then recorded on the receipt given to the person making the deposit and on the Accounting and Payroll Sections copy of the receipt. In addition, surprise cash counts are made during the year on the Records Unit's cash drawers as another safeguard. Funds collected by the Records Unit for the city and municipal court are reconciled by the city and municipal court.*

B. *The department will develop a procedure to have the receipt slips marked as to whether the payment is made by check or cash. Currently the department verifies only the total amount deposited into department accounts not the method of payment.*

The department has been upgrading its automated accounting system. In the upgrade program is a plan to install cash registers in the Records Unit. Information entered into the cash register will be simultaneously entered in the accounting system to be used to verify deposits and method of payment.

C. *The Records Unit does not forward mailed in receipts until they have either issued a copy of the report requested or the record check requested. Due to the workload, these requests are not filled in a timely manner. The department will review the current procedures.*

D. *The department will develop a procedure where one drawer is used on each shift. This would limit accessibility to only the cashier on duty on a particular shift. New internal controls will be developed as the automation outlined in "B" above is implemented which should identify the cashier involved in the transaction as it occurs.*

5. Accounting Unit Controls and Procedures

The Accounting Unit as the main fiscal office of the police department collects and processes over $4 million annually. It is responsible for accounting and depositing of the money that the police department receives. The Accounting Unit processes monies collected through the city's General Fund and department's Treasurer's accounts. We noted the following areas of concern related to the Accounting Unit:

A. Receipts are transmitted by the Legal Unit, Fingerprint Identification Unit, Private Officers Licensing Unit, and Commissary on a monthly basis. Receipts from the Private Alarm Unit are transmitted twice a week. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed $100.

B. Bonds are posted for warrants of other law enforcement agencies (outside warrants) and bond monies are collected at department headquarters and at five patrol divisions. Bonds issued are entered on the division's bond log. Bonds posted, bond monies collected, and a copy of the bond log are sent to the Accounting Unit.

The Accounting Unit enters the bond numbers onto the computer. However, the unit does not print the bond report and review the numerical sequence of the bond numbers. In addition, the bond forms are not always used in sequence. To ensure all monies received by the various patrol divisions and headquarters are transmitted to the accounting unit, the numerical sequence of bond forms should be accounted for properly.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

A. Transmit receipts daily or whenever accumulated receipts exceed $100.

B. Account for the numerical sequence of outside warrant bond forms to ensure that bond forms are being used in sequence and are being recorded on the bond logs.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

A. The department closed the Commissary in July 1999. The Private Officer Licensing Unit makes deposits on a weekly basis. The department will look into the feasibility of having the Legal Unit and the Fingerprint Identification Unit make deposits on a weekly basis.

The Accounting and Payroll Section receives deposits on a daily basis from the various patrol divisions and the Records Unit. Other elements make their deposits on a staggered basis because of time constraints. The actual counting of the deposit is the least time consuming process in making deposits. Each check has to be entered into the accounting system along with the appropriate revenue codes. The actual deposit is made in the accounting system by one person and a backup deposit is made by a second person to ensure the accuracy of the deposit and that the funds were handled properly in the section. Making deposits on a daily basis would increase the amount of time necessary for making deposits because of the increased amount of coding into the various revenue accounts associated with the various elements involved. At the present time it takes on an average two to three hours a day for both parties involved in the deposit process.

The department does have other safeguards in place for cash receipts and operating cash at other units. Surprise cash counts are made throughout the year by members of the Accounting and Payroll Section. If errors are found during these counts they are reconciled

immediately. Written reports are made for all cash counts and reviewed to determine if new controls should be put in place.

B. All outside bonds received by the Accounting and Payroll Section have the form number listed in a database kept by the section. This includes voided bond forms which must be sent to the Accounting and Payroll Section. Bond forms are not always used in sequence because the various elements using the bond forms are issued several bond form packages at a time. This leads to several elements accepting bonds at the same time using various numerical sequences. In order to have a comparison of bond forms issued to a particular element would require computer program changes.

At the present time the department has not experienced any problems in the control of outside bond monies. The time and expenditures to establish a new database to track an individual element's bond forms would be more than the department's risk exposure to loss. Outside Bonds are normally for less than $150. When bond money is given to the department a receipt is issued. This receipt is then presented to the court by the party who posted the bond for return of the bond money. If the court in question has not received the bond money from the department, they call the Accounting and Payroll Section to verify the bond has been posted. This has happened on occasions when a court date has been set for a date shortly after the bond has been posted. This results from the bond being in the mail and not yet received by the court. The department has not received a call from a court were a bond was posted and the department could not locate the money. This process also acts as a control for outside bonds.

6. Inventory Controls and Procedures

Our review of the department's inventory records and procedures revealed the following weaknesses:

A. Inventory records for the Supply Unit, Helicopter Unit, and Radio Maintenance Unit are not maintained in a manner that allows beginning balances, additions, and usages for each year to be reconciled to balances at the end of each year. A control account should be established and maintained with annual totals for additions, usages, and ending balances.

B. Annual physical inventories for the Supply Unit are performed by the same employees that have custody of inventories. Proper internal control requires physical inventories be conducted by persons who do not have record-keeping or custodial duties.

C. Accounting duties for the Fleet Operations Unit are not adequately segregated. Currently, all the responsibilities are assigned to inventory control. These responsibilities include all custodial and record-keeping duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation of duties cannot be achieved, at a minimum there should be a documented independent review.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

A. Maintain the inventory records for the Supply Unit, Helicopter Unit, and Radio Maintenance Unit in a manner to identify beginning inventory balance, additions, usages, and ending inventory balance for each fiscal year.

B. Require the supply unit to perform physical inventories by someone independent of custodial and record-keeping duties.

C. Require the Fleet Operations Unit adequately segregate duties between available employees and/or establish a documented periodic review of records by an independent person.

AUDITEE'S RESPONSE

The management of the KCPD responded as follows:

A. The department is working on upgrading the various department inventories. Currently department elements have unique individual inventory systems. This leads to differences in how inventories are handled and the valuation methods used. A new inventory system is being integrated into the department's accounting system. Currently, the Fleet Operations Unit is having the new inventory system installed. Supply will be done after fleet operations. The other elements will be done as the computer network expansion program is completed. The new inventory method will show inventory balances, purchases and usage.

B. The department will have its outside independent auditors observe the entire year end inventory process for the Supply Unit, Fleet Operations Unit, Radio Maintenance Section, and the Helicopter Unit.

C. The department will review the segregation of duties at the Fleet Operation Unit.

7. Fixed Assets

Our review of the department's fixed assets records and procedures revealed the following weaknesses:

A. Physical inventories are performed by the same unit that has custody of fixed assets. The unit supervisor is given a list of all property assigned to the unit and is responsible for reporting any discrepancies between the property list and the property items in his possession. Proper internal control requires physical inventories be conducted by persons who do not have record-keeping or custodial duties.

B. Some fixed assets are not properly numbered, tagged, or otherwise identified as KCBPC's property. During our test work, we noted eight of fifty-six items where a property tag was not affixed to the asset. Property control tags should be affixed to all fixed asset items to help improve accountability, to ensure that assets are properly identified as belonging to the KCBPC, and to help reduce the loss or theft of assets.

C. KCBPC's departments are not preparing the "Property Inventory Action Form" and submitting it to the inventory control officer in some instances. This report should be used when equipment is transferred within or between departments and if equipment is stolen, destroyed, surplused, or otherwise disposed of. We noted one item that had been transferred and two items that had been replaced where a property inventory action form had not been prepared and submitted.

   To ensure fixed asset records are updated on a timely basis and accurately reflect the status of all fixed assets, property inventory action forms should be submitted when applicable.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

A. Require physical inventories to be conducted by persons independent of those having record-keeping or custodial duties.

B. Properly number or tag all fixed asset items.

C. Establish procedures to ensure that all transfers and disposals of property items are reported immediately to the Inventory Control Officer.

AUDITEE'S RESPONSE

The management of the KCPD responded as follows:

A. The department will consider changing policy to require periodic independent audits of inventory items. A policy change would depend on identifying personnel available to perform this function.

B. A fixed asset cannot be processed in the computer system until an inventory number is assigned. On occasion a number is accidentally removed or torn off. In those cases the Inventory Control Officer will determine the correct number for the item and arrange for it to be affixed to the item. These types of problems are usually detected and corrected during the annual property inventory.

C. The Department will reemphasis the current policy of completing a "Property Inventory Action Form" when property is transferred, stolen, destroyed, surplused or otherwise disposed of.

This report is intended for the information of the board's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

REVIEW OF THE
KANSAS CITY BOARD OF POLICE COMMISSIONERS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Kansas City Board of Police Commissioners (KCBPC) on recommendations made in the Management Advisory Report (MAR) on our prior reports issued for the two years ended April 30, 1993 and the Special Review of the Kansas City Police Department, issued in September 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the board should consider implementing these recommendations.

REVIEW OF KANSAS CITY BOARD OF POLICE COMMISSIONERS
(TWO YEARS ENDED APRIL 30, 1993)

1. Vehicle Self-Retention Policy/General Liability Self-Insurance Program

   A. The KCBPC had not obtained the services of a competent insurance industry professional to manage the self-insurance program.

   B.1. General liability claims did not receive estimates of liability by the department's legal advisors.

   B.2. Claim reserves established for a claim were not entered into any type of log or ledger so the total amount of claim reserves could be determined.

   C.1. The board had not developed specific short or long term goals for the self-retention/self-insurance program or specific cash reserve amounts.

   C.2. The KCBPC had not adequately documented the optimum deductible level for the vehicle liability policy.

   D. The KCBPC had not established specific settlement authority limits for the legal advisors and department management on general liability claims.

   Recommendation:

   The KCBPC:

   A. Obtain the services of a risk manager to oversee the daily operations of the self-insurance program, and establish a risk management committee to oversee the overall operations and management decisions of the self-insurance program.

   B.1. Establish claim reserves for all general liability claims.

2. Maintain a record of all claim reserves so the total amount of potential department liability can be easily determined. This liability should be compared to the available cash balance to ensure cash on hand is sufficient to meet the outstanding liabilities.

C.1. Develop specific short and long term goals for the self-retention/self-insurance program.

2. Obtain an actuarial cost/benefit study to ensure that vehicle liability insurance deductible amounts are appropriate.

D. Establish specific settlement authority limits for general liability cases.

Status:

A. Not implemented. The Board hired Arthur Anderson for consulting on the self-insurance program. In addition, the Board approves all claims in excess of $25,000.

B.1.,
B.2.,
C.1.,
&D. Implemented.

C.2. Not implemented. The self retention vehicles liability policy deductible is no longer obtained.

2. Budgeting of funds

The KCBPC did not prepare budgets for the Treasurer's funds.

Recommendation:

The KCBPC prepare budgets of revenues and expenditure's for the treasurer's funds. These budgets should be formally reviewed and approved by the board and used as a guideline for the activity of the treasurer's funds.

Status:

Implemented.

3. Property and Evidence Unit

A. The police department had not properly obtained court orders for the disposition of all seized property.

B. The department's audit unit could not located $90 in food coupons, 35 items of jewelry, $9,010 in currency, and six miscellaneous items of value, and our office could not locate four of the forty-five items selected for review in the Property and Evidence Unit.

C. Accounting and custodial duties were not adequately segregated.

D. The Property and Evidence Unit used accounting codes for identifying seized assets. Many different codes exist for the same category of asset.

E. Property room control numbers were removed from items scheduled to be auctioned prior to the auction, and auction records did not indicate the property room controls numbers of the items sold.

F. The Accounting Unit did not issue receipt slips for the auction or liquidation proceeds.

Recommendation:

The KCBPC require the Property and Evidence Unit:

A. Obtain proper court orders for the disposition of all seized property.

B. Ensure accountability over all seized assets. In addition, periodic physical inventories should be performed of all seized assets in the custody of the Property and Evidence Unit. All exceptions should be promptly investigated and resolved.

C. Segregate accounting and custodial duties for seized assets.

D. Develop standard codes for identifying seized assets.

E. Ensure the sale of all seized assets of significant value are properly identified and recorded in the accounting records.

F. Issue receipt slips for the sale of unclaimed seized property and reconcile the receipt slips to bank deposits.

Status:

A. Not implemented. The department does not obtain court orders for all dispositions of seized property. A lawsuit has been filed in the Jackson County Circuit Court by the department over proper distribution of lost, stolen, abandoned and seized property that comes into the possession of the department and remains unclaimed.

B. Partially implemented. A complete periodic physical inventory is not conducted; however, Property and Evidence Unit staff periodically test the computer system location and the actual location for a sample of items. All 60 property and evidence items we tested were properly located. Our inventory of safe contents indicated one item ($1,460) was reported by the computer system as being in the safe; however, it had been checked out of the Property and Evidence Unit in 1995 and the item's location noted in the computer system had not been properly updated.

C,E, &F. Implemented.

D. Partially implemented. The Property and Evidence Unit has developed approximately 23 broad description category codes for property seized or taken in for safekeeping. The computer system still accepts any code entered; however, the system is old and will be updated with the bar coding system the department intends to implement.

4. Petty Cash Funds

The KCBPC maintained thirteen petty cash funds totaling $19,825. It appeared the balance of some of those funds may have been excessive or the existence of some of the petty cash funds were unnecessary.

Recommendation:

The KCBPC evaluate the need for petty cash funds and reduce or eliminate those funds which have little or no activity.

Status:

Implemented.

5. Internal Controls over Collections

A. Receipts slips were not issued for all monies received.

B. Listings of mail receipts and other collections were not reconciled to bank deposits.

C. Monies collected by the Legal Unit, Metro Major Case Squad, Fingerprint Identification Unit, Private Officers Licensing Unit, Commissary and the Special Olympics were not transmitted to the Accounting Unit on a timely basis.

D. Checks received for report reproduction by the Accounting Unit were not deposited on a daily basis.

Recommendation:

The KCBPC:

A. Require the various divisions and units to issue prenumbered receipt slips for all monies received.

B. Require the Accounting Unit to reconcile listings of mail receipts and other collections to bank deposits and journal entries on a daily or weekly basis. In addition, documentation of these reconciliations should be retained.

C. Require the various divisions and units to transmit all receipts to the Accounting Unit daily or when accumulated receipts exceed $100.

D. Require the Accounting Unit to deposit all monies received intact on a daily basis.

Status:

A. Not implemented. Although receipt slips are not prepared for mail receipts, a listing of mail receipts is prepared and reconciled to deposits.

B&D. Implemented.

C. Not implemented. See MAR No. 5.

6. Records Unit

A.1. The cashier on duty as well as other clerks had access to the cash drawer.

2. Access to the Records Unit was not properly controlled.

3. Numerous persons knew the combination to the safe and had access to the bank bags which were stored in the safe.

4. Unopened mail was stored in an unlocked desk drawer until mail was processed.

B. Accounting and bookkeeping duties of the Records Unit were not adequately segregated for receipt transactions.

C.1. Receipt slips issued by the Records Unit did not indicate the method of payment received.

2. Report reproduction receipt slips were maintained for only two years and criminal history investigation receipt slips for only one year subsequent to their issuance. In addition, the numerical sequence of receipt slips issued was not accounted for to ensure all monies receipted were deposited.

D. Tow fees were transmitted daily to the city of Kansas City Municipal Division; however, a receipt slip was not obtained from the court for tow monies transmitted.

E.1. Logs were not kept to record each check received by mail.

2. Mail receipts were kept in an unlocked desk drawer for several days before being opened.

Recommendation:

The KCBPC require the Records Unit:

A.1. Restrict access to the cash drawer to only one person per shift or provide a separate cash drawer to each person who handles money.

2. Properly control access to the Records Unit at all entrances.

3. Recode the lock on the Records Unit safe and provide the combination only to the cashiers and supervisory sergeants.

4. Store all unopened mail receipts in the safe.

B. Segregate the duties of receiving from the responsibilities of reconciling receipts to the receipt slips and cash register tapes.

C.1. Record the method of payment on the receipt slip and reconcile daily the composition of cash and checks transmitted or deposited to the receipt slips.

2. Retain receipt slips in accordance with the Missouri Municipal Records Manual.

D. Obtain a receipt slip for all monies transmitted to the municipal division.

E.1. Maintain a log of all mail receipts and reconcile the log to receipt records on a daily basis.

2. Open, receipt, and transmit mail receipts on the day received.

Status:

A.1.,
A.4.,
B.,C.1.,
E.1.,
&E.2. Not implemented. See MAR No. 4.

A.2.
& 3. Implemented.

C.2. Not implemented. The Records Unit does not maintain receipt slips in accordance with the Missouri Municipal Manual. However, the Accounting Unit receives a copy of all receipt slips from the Records Unit. These are maintained for five years at the warehouse which is in accordance with the Missouri Municipal Manual. Although not repeated in the current report, the KCBPC should consider fully implementing the recommendation.

D. Not implemented. Although receipt slips are not obtained, the city signs and returns a copy of the daily transmittal. This appears to be an acceptable alternative.

7. Fixed Assets

A. Property records were not prepared in a manner to identify beginning balance, additions, deletions, and ending balance for each fiscal year.

B. Physical inventories were performed by the same unit that has custody of fixed assets.

C. The department's property records did not appear to be accurate. It appeared the unit supervisors were not notifying the property records clerk when the status of property items changed.

D. Additions to property records were not periodically reconciled to purchases of fixed assets.

E. Property tags were not always affixed to each asset.

F. Some fixed asset purchases were not tagged and recorded in the fixed asset inventory records in accordance with department policy.

Recommendation:

The KCBPC:

A. Maintain property records in a manner to identify beginning balance, additions, deletions, and ending balance for each fiscal year.

B. Require physical inventories to be conducted by persons independent of those having record-keeping or custodial duties.

C. Establish procedures to ensure property records contain accurate information. These procedures should include that all purchases, disposal, and transfers of property items be immediately reported to the Inventory Control Officer.

D. Require periodic reconciliation of property additions to purchase and expenditure records.

E. Require property tags to be affixed and tag numbers recorded for each fixed asset.

F. Ensure equipment owned by the department with a value of thirty dollars or more is included in the detailed inventory records in accordance with department policy. In addition, the KCBPC should consider increasing the minimum value of property items which need to be recorded on the fixed asset inventory records.

Status:

A,D, &F. Implemented.

B,C, &E. Not implemented. See MAR No. 7.

8. Supplies Inventories

A. Each unit maintained some form of perpetual inventory records; however, records were not maintained in a manner to obtain beginning inventory balance, additions, deletions, and ending inventory balance for each fiscal year.

B.1. Accounting duties for inventories in the Supply Unit were not adequately segregated.

2.a. Accounting duties for the Fleet Operations Unit were not adequately segregated.

b. Gasoline usage was not reconciled to inventory records, giving consideration to beginning and ending inventories and gasoline purchases.

c. The Fleet Operations Unit takes measurements of the fuel level in each tank every other day; however, these fuel levels were not compared to the amount of gasoline which should have been on hand.

Recommendation:

The KCBPC:

A. Maintain the inventory records in a manner to identify beginning inventory balance, additions, deletions, and ending inventory balance for each fiscal year.

B.1. Require the Supply Unit to segregate inventory custodial and record-keeping duties. In addition, physical inventories should be performed by someone independent of custodial and record-keeping duties.

2. Require the Fleet Operations Unit to:

a) Segregate inventory custodial and record-keeping duties.

b) Reconcile ending gasoline inventory balances to beginning balances plus purchases less usage on a monthly basis.

c) Reconcile the ending inventory balance to measurements of fuel levels.

Status:

A.&
B.2a. Not implemented. See MAR No. 6.

B.1. Partially implemented. The Supply Unit has segregated inventory custodial and record-keeping duties. However, physical inventories are not performed by someone independent of custodial and record-keeping duties. See MAR No. 6.

B.2b.&
B.2c. Implemented.

9. Bonds

The department did not account for the numerical sequence of outside warrant bonds issued by each patrol division, voided bond forms were not always recorded on the bond logs and are not retained, and the bond forms were not always used in sequence.

Recommendation:

The KCBPC account for the numerical sequence of outside warrant bond forms to ensure that bond forms are being used in sequence and are being recorded on the bond logs. Furthermore, voided bond forms should be recorded on the bond log and all copies of the defaced bonds should be retained.

Status:

Partially implemented. The Accounting Unit enters the bond forms into the computer and the computer puts them into numerical sequence. However, this report is never reviewed. Voided bond forms are entered on the bond ledger. See MAR No. 5.

10. Accounts Receivable

A control ledger of all amounts due was not maintained.

Recommendation:

The KCBPC maintain an accounts receivable control ledger for all amounts due to the department and periodically reconcile the ledger to the detailed records.

Status:

Implemented.

SPECIAL REVIEW OF KANSAS CITY POLICE DEPARTMENT
(SEPTEMBER 1994)

1. Sick Leave Benefits and Usage

A. The accrual rates for sick leave benefits for sworn personnel were relatively high compared to other city police departments. Some sworn personnel accrued sick leave at a rate of thirty days per year, while the remaining sworn personnel accrued sick leave at a rate of eighteen days per year.

B. The KCPD policy which allowed some employees to accrue 30 days sick leave per year may have encouraged the usage of more sick leave, when compared with the usage of officers who received only 18 days per year.

C. Sick leave was only deducted from employee-leave balances in one day, or eight hour increments, and if the employee worked four hours or more during a shift and then takes sick leave the rest of the day, no sick leave was charged against their leave balance.

Recommendation:

The KCPD:

A&B. Reevaluate the current level of sick leave benefits provided to law enforcement personnel. After considering all factors, including a comparison of leave accrual rates of similar police departments, the KCPD should determine whether the current accrual rates are excessive and should be reduced to provide a better balance between the benefits provided and the related costs to the department.

C. Charge sick leave hours actually used against employee sick leave balances.

Status:

A&B. Not implemented. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.

C. Implemented.

2. Sick Leave Buyout

A. Employees who had been continuously employed for at least one year would be compensated for any accumulated unused sick leave upon separation. This policy appeared to be a drain on departmental resources and may have been excessive compared to buyout plans of other law enforcement agencies.

B. Employees separating because of resignation or termination received sick leave buyout benefits similar to those received by retiring personnel, although at a lower payment ratio.

Recommendation:

The KCPD:

A. Reevaluate the current sick leave buyout program, compare it to programs in other cities, and consider making revisions that would enhance employee income security while conserving available fiscal resources. The considerations should include the possible provision of disability insurance coverage for all new employees in lieu of the present level of buyout payments.

B. Consider discontinuing the practice of allowing resigning or terminating employees to receive sick leave buyout payments.

Status:

A. Not implemented. See MAR No. 3.

B. Implemented. Any employee hired after January 1, 1995 is not eligible for sick leave buyout upon resignation or termination.

3. Overtime Compensation

The KCPD paid for more overtime than was required by the Fair Labor Standards Act (FLSA).

Recommendation:

The KCPD reevaluate its current overtime policies/practices and consider revising those practices to calculate overtime compensation in accordance with FLSA requirements. It appeared the KCPD should exclude paid leave taken as hours worked in overtime pay calculations. In performing this review, the department should consider the cost of current practices in relation to fiscal constraints and possible alternative uses for any savings realized by changing the overtime policies.

Status:

Not implemented. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.

4. Call Back Pay

It was often necessary to call officers in for extra duty outside of their regular shift assignment. By KCPD policy, a call back occurred when an employee was required to return to work more than one hour after the end of his or her regular tour of duty or day off. Under the policy, an employee called back to duty was to be paid for actual hours worked or for a minimum of four hours. All call back pay was paid at the time and one half overtime rate. This policy appeared excessive compared to some other cities surveyed.

Recommendation:

The KCPD reevaluate the current call back policy which provides for minimum compensation of four hours at overtime rates. The department should carefully weigh other possible alternative call back policies, considering the related payroll cost implications for each alternative reviewed.

Status:

Not implemented. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.

5. Accumulated Compensatory Time

A number of employees had compensatory time balances in excess of the sixty-hour departmental limit at February 28, 1994. There was no authorization approving the excess balances. The KCPD policy limited the accumulation of unused compensatory time to no more than 60 hours unless authorized by the Chief of Police or his designee.

Recommendation:

The KCPD reevaluate Policy No. 418 regarding the 60-hour limitation and determine whether it meets current departmental needs or should be revised. If a revised policy is

established, the department should make every effort to ensure it is complied with. This would include ensuring any exceptions to the policy limit are properly authorized.

Status:

Implemented. The current policy states a 120-hour limitation for any employee at the commander level or above.

6. Compensation for Medical Appointments

An instance was noted in which an officer was paid overtime compensation while receiving physical therapy outside of that individual's regular work schedule. It appeared this additional compensation was paid in error and probably occurred because of confusion among supervisory personnel in the department as to how KCPD policy should be applied in regard to medical appointments.

Recommendation:

The KCPD review situations where additional compensation is requested in cases of medical appointments (particularly in cases where the treatment is voluntary) and determine how the department policy should be applied. The department should then formally clarify the application of its policies in such situations and ensure that all line supervisors are provided appropriate guidance for handling such situations in the future.

Status:

Implemented. The current policy was revised to clarify the application of the situation.

7. Off -Duty Employment

A. Private businesses/individuals frequently contacted the department seeking to hire off-duty police officers for security services. A review of this situation disclosed that it appeared officers frequently received compensation for those services in cash and that these entities may be discouraged by officers from filing the required income tax forms. It appeared the department should address this issue in its policies considering the extent of cash payments reportedly being received.

B. We noted instances in which officers failed to file the required forms and properly obtain departmental approval related to off-duty jobs.

Recommendation:

The KCPD:

A. Consider adding provisions to its off-duty employment policy which clearly convey the department's position regarding the proper reporting of off-duty employment income for personal income tax purposes and the need for its personnel to cooperate with private employers in meeting those employers' reporting responsibilities.

B. Take steps to ensure its officers and other personnel are obtaining proper approval related to off-duty employment. This might include reminding department personnel of this requirement on a periodic basis or establishing procedures to monitor compliance with the policy.

Status:

A. Not implemented. It does not appear this policy was changed. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.

B. Implemented.

8. Personnel Scheduling

KCPD policy provided that each watch of the patrol divisions could allow a maximum of ten percent of the officers assigned to a particular watch or shift to be on leave at any one time. We noted a number of instances in which this policy was not complied with, resulting in those watches being understaffed.

Recommendation:

The KCPD reemphasize to the desk sergeants the importance of complying fully with Field Services Memo 87-1. The department should also ensure that any instances in which the ten percent rule is not complied with are documented and brought to the attention of the appropriate supervisor.

Status:

Implemented.

9. Timekeeping

A. Verification reports were not always being properly signed or initialed as being reviewed and found accurate by the timekeeper.

B. Overtime entry errors went uncorrected as a result of a verification report not being reviewed on a timely basis.

C. Overtime vouchers were not always being properly approved by the applicable supervisors.

Recommendation:

The KCPD reemphasize to its supervisors and unit timekeepers the importance of proper timekeeper procedures, including the proper approval of overtime vouchers and an adequate review of verification reports. In addition, the department should consider requiring one of its support sections to perform an independent review of the timekeeping records and supporting documentation on a periodic basis.

Status:

Partially implemented. The KCPD does emphasize the importance of proper timekeeper procedures. However, there is no independent review of the timekeeping records. Although not repeated in the current MAR, the KCPD should consider fully implementing this recommendation.

STATISTICAL SECTION

History, Organization, and
Statistical Information

KANSAS CITY BOARD OF POLICE COMMISSIONERS
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Kansas City Board of Police Commissioners was established by an act of the legislature in 1873 to provide law enforcement protection to the citizens of the city of Kansas City. The board operates under the provisions of Sections 84.350 to 84.860, inclusive, RSMo 1994.

The Board of Police Commissioners consists of five members. The governor, with the consent of the Senate, appoints four commissioners who, with the mayor of the city of Kansas City, control the operations of the Kansas City Police Department. The board members are appointed for a term of four years. The police property, as well as the Police Department itself, is subject to the rules and orders of the Board of Police Commissioners.

The members of the Board of Police Commissioners at April 30, 1999, were:

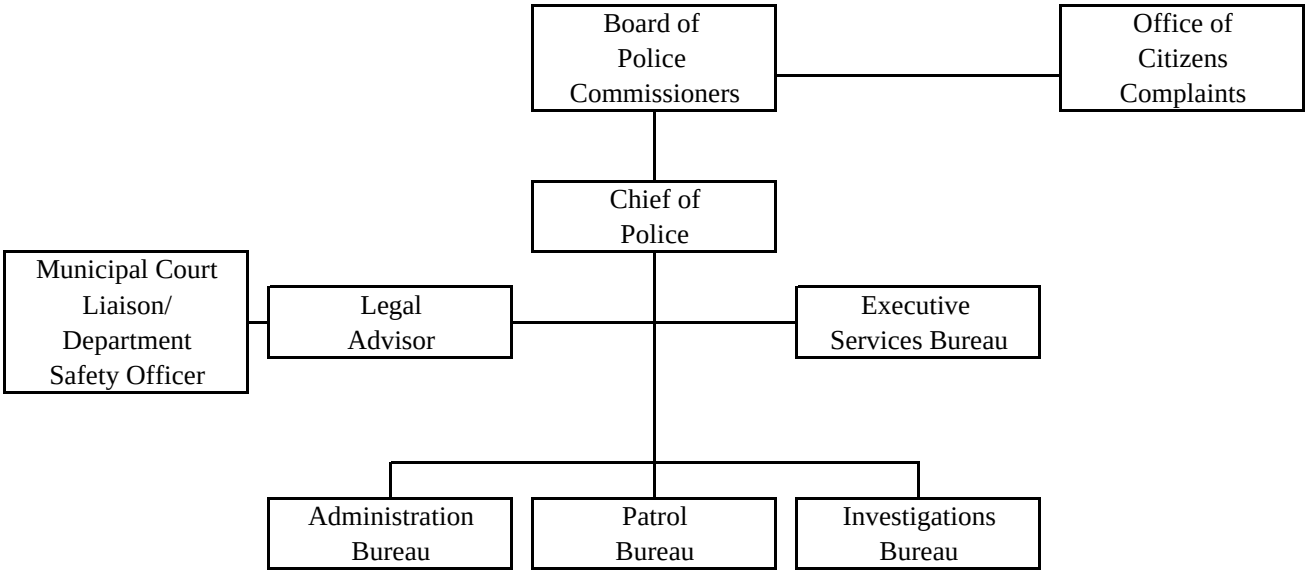
Member	Term Expires
Jeffery Simon, President	March 7, 2000
Joseph Mulvihill, Vice President	March 7, 2001
Dennis Eckold, Treasurer	March 7, 2002
Dr. Stacey Daniels	March 7, 1999*
Mayor Kay Waldo Barnes	April 10, 2003

* Commission member continues to serve until a replacement is named.

Richard D. Easley has been the Chief of Police since April 2, 1999. Floyd O. Bartch served as Chief from March 21, 1996 to April 2, 1999.

An organization chart follows.

KANSAS CITY BOARD OF POLICE COMMISSIONERS
ORGANIZATION CHART



Appendix A

KANSAS CITY BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF EXPENDITURES - BUDGET BASIS
GENERAL FUND

	Year Ended April 30,			
	1999	1998	1997	1996
EXPENDITURES				
Personal services	$ 83,320,781	81,217,822	80,909,420	76,524,493
Contractual services	10,689,500	9,336,978	9,330,673	9,672,003
Commodities	3,740,492	3,768,277	3,480,205	3,374,120
Captial outlays	708,316	491,305	506,565	614,041
Total Expenditures	$ 98,459,089	94,814,382	94,226,863	90,184,657

Appendix B

KANSAS CITY BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET BASIS
SPECIAL REVENUE FUND, INTERNAL SERVICE FUND, AND EXPENDABLE TRUST FUND

	Year Ended April 30,			
	1999	1998	1997	1996
REVENUES:				
Intergovernmental revenues	$ 10,695,029	7,524,134	3,573,439	2,978,596
Special services	4,113,628	4,428,203	3,521,835	3,166,254
Disposal of fixed assets	31,860	40,007	324,933	79,727
Proceeds from unclaimed property and seizures	598,254	334,364	341,188	439,696
Sale of supplies	0	0	0	24,239
Interest	368,725	358,182	369,317	340,764
Other	237,467	254,850	567,423	574,788
Total Revenues	16,044,963	12,939,740	8,698,135	7,604,064
EXPENDITURES				
Personal services	7,742,382	7,921,145	5,423,686	4,672,906
Contractual services	4,254,670	2,658,537	2,576,546	2,412,598
Commodities	398,542	220,887	210,833	199,598
Capital outlays	4,624,934	1,689,430	561,881	1,088,906
Total Expenditures	17,020,528	12,489,999	8,772,946	8,374,008
Revenues over (under) expenditures	-975,565	449,741	-74,811	-769,944
OTHER FINANCING (USES) SOURCES:				
Operating transfers in	1,207,275	1,185,217	914,292	1,148,029
Operating transfers out	-765,275	-425,467	-317,801	-545,907
Total other financing sources, net	442,000	759,750	596,491	602,122
Revenues and other financing sources over expenditures and other financing uses	-533,565	1,209,491	521,680	-167,822
FUND BALANCES:				
Beginning of year	7,003,609	5,794,118	5,272,438	5,440,260
Adjustments to beginning balance (Note)	684,892	0	0	0
1998 encumbances clearing for less in 1999	41,070	0	0	0
Beginning of year, restated	7,729,571	5,794,118	5,272,438	5,440,260
End of year	$ 7,196,006	7,003,609	5,794,118	5,272,438

Appendix B

Note: The Kansas City Board of Police Commissioners' adopted budget for fiscal year 1998-99 recognized that receivables and prior year encumbrances that cleared for less increase the budget basis fund balance, thereby providing additional sources for appropriations. The impact of these and other changes are summarized in the following schedule:

	04/30/98 Accounts Receivable	04/30/98 Interest Receivable	Encumbrances Clearing For Less	Other Changes	Total
Special Revenue Funds:					
Special Services	$ 14,145	9,961	797	0	24,903
Special Operations	2,700	968	65	-32,722	-28,989
Car Damage	152,964	0	0	0	152,964
ALERT Computer System	482,316	3,974	469	938	487,697
Federal Forfeiture & Seizure	0	4,917	474	44,176	49,567
State Forfeiture & Seizure	0	32	0	-1,282	-1,250
Total	$ 652,125	19,852	1,805	11,110	684,892

Appendix C

KANSAS CITY BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF EXPENDITURES-BUDGET BASIS
FEDERAL AND STATE SEIZURE AND FORFEITURE FUNDS

	Year Ended April 30,			
	1999	1998	1997	1996
Contractual services	$ 124,813	44,121	30,392	68,339
Commodities	162	110	7,286	13,973
Capital outlays	383,325	335,955	66,217	253,783
Operating Transfers, Net	330,713	389,663	285,593	19,381
Total Expenditures	$ 839,013	769,849	389,488	355,476

Appendix D

KANSAS CITY BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS, EXPENDABLE TRUST FUNDS AND AGENTY FUNDS

	April 30,			
	1999	1998	1997	1996
Cash and cash equivalents				
Restricted	$ 3,395,799	3,135,654	2,148,925	1,998,867
Unrestricted.	71,869	48,705	71,470	65,643
Total cash and cash equivalents	$ 3,467,668	3,184,359	2,220,395	2,064,510

* * * * *

AUDIT REPORT

MISSOURI DEPARTMENT OF TRANSPORTATION

YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-114
December 1, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

FACT SHEET

IMPORTANT NOTE: The following audit of the Missouri Department of Transportation is based upon fieldwork started in 1998 and due to statutory changes is the last of its kind.

As a result of legislative changes, the department is now contracting for annual financial audits. In accordance with those changes, the state auditor maintains the authority to review those external audits. The auditor's office will now focus on critical performance and financial issues relating to the department and Missouri transportation. We have already discussed with the department our plans to look at maintenance per mile comparisons, the current 5-Year Plan, and use of highway funds for purposes other than construction. The result of that audit work will be released next year.

The following problems were discovered during an audit of the Missouri Department of Transportation (MoDOT) for the year ended June 30, 1998:

Our audit found problems concerning the department's documentation of state aircraft use, however our recommendations were already implemented prior to the issuance of this audit. The department now handles its flight operations through the Office of Administration. MoDOT assures flight manifests now list all passengers on board, and cost comparisons will be conducted when using aircraft for out-of-state flights.

Individuals or entities that damage MoDOT property (primarily because of vehicular accidents) are responsible for paying the costs of repairing the damage. The audit disclosed that the department has not made a sufficient effort to ensure the responsible parties are identified and it appears a significant amount of potentially billable revenues have been written off as unknown and uncollectible.

During fiscal year 1998, over 2,000 property damage accounts were set up, with approximately 1,200 of these accounts representing instances where the responsible parties were unknown. The majority of these unknown damage accounts related to accidents in the Kansas City and St. Louis areas. During a review of forty unknown damage accounts, the auditors were able to match sixteen (40 percent) of these accounts to accident reports (prepared by the Highway Patrol or a local law enforcement agency) identifying a responsible party.

During the period from January 1995 through March 1999, the department wrote off approximately $3 million in unknown property damage accounts. If the department had

(over)

been able to identify the responsible parties for 40 percent (our error rate) of this amount, the department could have billed an additional $1.2 million related to these accounts. Had this amount been billed, it is likely much of it would have been collected. MoDOT should ensure property damage revenue is maximized by identifying and billing the responsible parties on a timely basis. The department should also consider reviewing accounts written off in recent years to determine if the responsible parties can be identified and billed.

During fiscal years 1998 and 1999, MoDOT reduced the amount of federal bridge monies allocated to the various counties within the state and the city of St. Louis by more than $1.1 million, the total amount of funding appropriated to the State Auditor's Office (SAO) from the State Highway Department Fund during those years. The audit found that MoDOT's rationale for these reductions was flawed and such reductions by the department were not justified. The local governments affected include some entities (including the city of St. Louis and first and second class counties) which receive no audit services from the SAO.

The department reimburses various moving expenses related to the recruitment of top management employees as well as the transfer of existing employees to other locations within the state. During fiscal year 1998, these costs totaled almost $600,000. As similarly noted in our prior report, some of these expenses appear unreasonable. MoDOT's policy exceeds the state Office of Administration's (OA) policy in a number of areas, including an additional amount to cover the increased tax liability related to amounts reimbursed. If MoDOT had limited the total reimbursement to 10 percent of an employee's annual salary, the department's moving expenses for fiscal year 1998 would have totaled about $250,000, a savings of $350,000.

From June 1995 to January 1999, the department paid about $336,000 to a consultant or his designees for conducting workshops/training related to the reorganization of the Information Systems Division. The procurement of these consulting services was not handled properly. In addition, there was no written contract/agreement between MoDOT and the consultant identifying the scope of services to be provided and the compensation to be paid.

Other findings related to:

-- Problems noted in the procurement of certain aggregate materials, gasoline, and diesel in District 9 (Willow Springs).

-- The untimely updating of access to the department's computer system when an employee moved to a new position or terminates employment.

The department's responses to the State Auditor's findings are included in the report.

MISSOURI DEPARTMENT OF TRANSPORTATION

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MISSOURI DEPARTMENT OF TRANSPORTATION

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Mel Carnahan, Governor
and
Missouri Highway and Transportation Commission
and
Henry Hungerbeeler, Director
Missouri Department of Transportation
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Missouri Department of Transportation as of and for the year ended June 30, 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the financial position, results of operations, and cash flows of the Self-Insurance Fund; the receipts, disbursements, other financing sources (uses), and changes in cash and investments of the General Revenue Fund-DOT Federal, the State Highway Department Fund, the State Road Fund, the State Transportation Fund, the Aviation Trust Fund, the State Transportation Assistance Revolving Fund, and the Local Fund; and the appropriations and expenditures of the various funds of the Missouri Department of Transportation. These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of the various funds of the department.

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In our opinion, the special-purpose financial statements in Exhibits A through C present fairly, in all material respects, the financial position of the Self-Insurance Fund as of June 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In our opinion, the special-purpose financial statements in Exhibits D and E present fairly, in all material respects, the receipts, disbursements, other financing sources (uses), and changes in cash and investments of the General Revenue Fund-DOT Federal, the State Highway Department Fund, the State Road Fund, the State Transportation Fund, the Aviation Trust Fund, the State Transportation Assistance Revolving Fund, and the Local Fund; and the appropriations and expenditures of the various funds of the Missouri Department of Transportation as of and for the year ended June 30,1998, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 2, 1999, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The year 2000 supplementary information on pages 29 and 30 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the department is or will become year 2000 compliant, that the department's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the department does business are or will become year 2000 compliant.

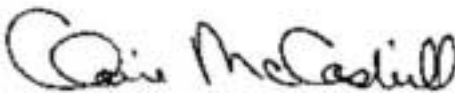
Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, except for the effects on Schedule 2 of the matter discussed in the following paragraph, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The information presented in Schedule 2 was provided by the state's accounting system. The department converts receipt and disbursement information from its system to the state's accounting system. Some department codes have not been appropriately converted, resulting in some expenditures being improperly classified on the state's accounting system. The amounts by which the information presented in Schedule 2 would change if the expenditures had been appropriately converted cannot reasonably be determined.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was

not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the department's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill
State Auditor

April 2, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Mel Carnahan, Governor
and
Missouri Highway and Transportation Commission
and
Henry Hungerbeeler, Director
Missouri Department of Transportation
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Missouri Department of Transportation as of and for the year ended June 30, 1998, and have issued our report thereon dated April 2, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Missouri Department of Transportation are free of material misstatement, we performed tests of the department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted instances of other noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Missouri Department of Transportation, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control

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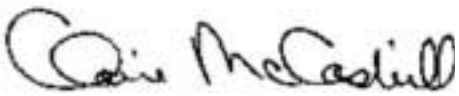
over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Missouri Department of Transportation and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 2, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

MISSOURI DEPARTMENT OF TRANSPORTATION
BALANCE SHEET - SELF-INSURANCE FUND
JUNE 30, 1998

ASSETS		
Cash and cash equivalents (Note 2)	$	286,247
Investments, at fair value (Note 2)		23,259,095
Accrued interest receivable		332,711
Total Assets	$	23,878,053
LIABILITIES AND FUND EQUITY		
Liabilities:		
Estimated claims payable	$	13,595,003
Estimated unreported claims		7,630,000
Administrative services payable		7,342
Total Liabilities (Note 3)		21,232,345
Fund equity:		
Contributed capital		210,000
Retained earnings -		
Designated for:		
Highway workers' compensation		-137,907
Highway patrol workers' compensation		-165,466
Highway automobile liability		401,166
Highway general liability		2,337,915
Total Fund Equity		2,645,708
Total Liabilities and Fund Equity	$	23,878,053

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MISSOURI DEPARTMENT OF TRANSPORTATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
SELF-INSURANCE FUND
YEAR ENDED JUNE 30, 1998

OPERATING REVENUES		
Insurance premiums:		
Highway workers' compensation	$	4,497,486
Highway patrol workers' compensation		816,696
Highway automobile liability		849,912
Highway general liability		995,009
Other		181,670
Total Operating Revenues		7,340,773
OPERATING EXPENSES		
Program		398,338
Self-Insurance claims -		
Highway workers' compensation		5,217,629
Highway patrol workers' compensation		824,129
Highway automobile liability		747,318
Highway general liability		1,064,347
Estimated claims:		
Highway workers' compensation		1,288,481
Highway patrol workers' compensation		115,139
Highway automobile liability		-32,817
Highway general liability		906,364
Total Operating Expenses		10,528,928
Operating Revenues over (under)		
Operating Expenses		-3,188,155
NONOPERATING REVENUES		
Investment income -		
Interest		1,354,880
Net increase in the fair value of investments		20
Total investment income		1,354,900
REVENUES OVER (UNDER) EXPENSES		-1,833,255
RETAINED EARNINGS, JULY 1		4,276,398
Cumulative effect of a change in		
accounting principle		-7,435
RETAINED EARNINGS, JULY 1, as restated		4,268,963
RETAINED EARNINGS, JUNE 30	$	2,435,708

Exhibit C

MISSOURI DEPARTMENT OF TRANSPORTATION
STATEMENT OF CASH FLOWS
SELF-INSURANCE FUND
YEAR ENDED JUNE 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Revenues Over (Under)		
Operating Expenses	$	-3,188,155
Adjustments to reconcile operating income to		
net cash used in operating activities:		
Change in assets and liabilities		
Increase in accrued interest receivable		-4,451
Increase in estimated claims payable		2,277,167
Increase in administrative services payable		7,342
Net Cash Used in Operating Activities		-908,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		14,733,000
Purchase of investments		-15,792,814
Interest Income		1,354,880
Net Cash Provided by Investing Activities		295,066
NET DECREASE IN CASH AND CASH EQUIVALENTS		-613,031
CASH AND CASH EQUIVALENTS, JULY 1		899,278
CASH AND CASH EQUIVALENTS, JUNE 30	$	286,247

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MISSOURI DEPARTMENT OF TRANSPORTATION
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),
AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 1998

	General Revenue Fund - DOT Federal	State Highway Department Fund	State Road Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	Local Fund	Total (Memorandum Only)
RECEIPTS								
Motor fuel tax	$ 0	493,263,704	190,443,360	1,031,121	0	0	0	684,738,185
Aviation fuel tax	0	0	0	0	457,171	0	0	457,171
Other taxes	0	35,744,391	1,011	0	0	0	0	35,745,402
Licenses, permits, and fees	0	147,484,194	4,160,519	0	0	0	0	151,644,713
Sales	0	19,238	4,062,383	0	0	0	0	4,081,621
Leases and rentals	0	0	3,742,415	0	0	0	0	3,742,415
Federal receipts	30,122,127	283,933	413,582,460	0	0	22,500	0	444,011,020
Interest income	0	1,548,045	4,628,340	0	23,194	52,718	942,520	7,194,817
Local political subdivision escrow payments	0	0	0	0	0	0	12,605,913	12,605,913
Refunds	20,799	458,164	3,921,300	708	0	0	0	4,400,971
Loan proceeds (Note 4)	0	0	48,424,243	0	0	0	0	48,424,243
Miscellaneous receipts	824,002	11,493	11,266,674	0	0	0	0	12,102,169
Total Receipts	30,966,928	678,813,162	684,232,705	1,031,829	480,365	75,218	13,548,433	1,409,148,640
DISBURSEMENTS	30,915,607	91,740,359	1,013,545,849	8,409,565	372,527	0	7,472,641	1,152,456,548
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE								
OTHER FINANCING SOURCES AND USES	51,321	587,072,803	-329,313,144	-7,377,736	107,838	75,218	6,075,792	256,692,092
OTHER FINANCING SOURCES (USES)								
Operating transfers:								
In	97,470	2,406,895	366,443,958	6,257,762	0	0	0	375,206,085
Out (Note 5)	0	-378,150,045	-9,729,184	-4	-26,331	0	-5,047,762	-392,953,326
Appropriations exercised by other								
agencies (Note 6)	0	-212,631,847	0	0	-12,776	0	0	-212,644,623
Total Other Financing Sources (Uses)	97,470	-588,374,997	356,714,774	6,257,758	-39,107	0	-5,047,762	-230,391,864
RECEIPTS AND OTHER SOURCES OVER (UNDER)								
DISBURSEMENTS AND OTHER USES	148,791	-1,302,194	27,401,630	-1,119,978	68,731	75,218	1,028,030	26,300,228
CASH AND INVESTMENTS, JULY 1	236,924	7,357,079	72,188,172	1,880,385	351,216	0	16,936,976	98,950,752
CASH AND INVESTMENTS, JUNE 30 (NOTE 2)	385,715	6,054,885	99,589,802	760,407	419,947	75,218	17,965,006	125,250,980

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL REVENUE FUND - STATE			
Rail Program - Promotional costs related to the St. Louis-Kansas City state-assisted Amtrak route	$ 150,000	145,271	4,729
Aviation Program - Construction, capital improvements, maintenance of publicly owned airfields by cities or other political subdivisions, including land acquisition, and for printing of charts and directories	817,171	706,459	110,712
Waterways Program - Grants for port authority capital improvements including rehabilitation of rail lines service port authorities	431,651	431,651	0
Transit Program - Operating subsidy for not-for-profit transporters of the elderly, people with disabilities, and low income individuals	2,943,732	2,794,424	149,308
Waterways Program - Grants to port authorities for assistance in port planning, acquisition or construction within the port districts	444,987	430,898	14,089
Mississippi River Parkway Commission - Expense and Equipment	32,500	22,565	9,935
Initial capitalization of the State Transportation Assistance Revolving Loan Fund (STAR) authorized by Section 226.191, RSMo with distributions to local and regional organizations for capital improvement projects	2,500,000	2,425,000	75,000
Rail Program - Station repairs and improvements at Missouri Amtrak stations	150,000	0	150,000
Aviation Program - Construction, capital improvements, maintenance of publicly owned airfields by cities or other political subdivisions, including land acquisition, and for printing of charts and directories	642,444	0	642,444
Planning and a study of the expansion of Vivion Road in Kansas City, Missouri	300,000	0	300,000
Transit Program - Grants under Section 5309, Title 49, United States Code for a feasibility study of computer rail transportation services, to be expended on an 80% federal, 10% state, and 10% local basis	62,500	0	62,500
Rail Program - State participation in joint state/federal Amtrak Rail Passenger Service Program	2,650,000	2,570,500	79,500
Multimodal Operations Program - Reimbursements to the State Highway and Transportation Department Fund for providing professional and technical services and administrative support of transportation activities	25,710	24,939	771
Multimodal Operations Administration - Personal Service	600,142	582,137	18,005
Multimodal Operations Administration - Expense and Equipment	46,396	45,004	1,392
Total General Revenue Fund - State	11,797,233	10,178,848	1,618,385
GENERAL REVENUE FUND - DOT FEDERAL			
Transit Program - Grants to metropolitan areas under Section 5303, Title 49, United States Code	945,407	768,137	177,270
Transit Program - Grants under Section 5309, Title 49, United States Code to assist organizations providing public transportation services	5,000,000	4,762,225	237,775
Initial capitalization of the State Transportation Assistance Revolving Loan Fund (STAR) authorized by Section 226.191, RSMo with distributions to local and regional organizations for capital improvement projects	18,000,000	6,965,519	11,034,481
::			
Transit Program - Grants under Section 5309, Title 49, United States Code for a feasibility study of computer rail transportation services, to be expended on an 80% federal, 10% state, and 10% local basis	562,500	0	562,500
Transit Program - Grants to urban areas under Section 5307,			

Title 49, United States Code	2,209,077	1,700,045	509,032
Multimodal Operations Program - Reimbursements to the State Highway and Transportation Department Fund for providing professional and technical services and administrative support of transportation activities	65,000	65,000	0
Rail Program - Grants under Section 5 of the Department of Transportation Act as amended by the reauthorizing act, for acquisition, rehabilitation, improvement or rail facility construction assistance	612,500	350,378	262,122
Transit Program - Locally matched Capital Improvement Grants under Section 5310, Title 49, United States Code, as mended, to assist private, non-profit organizations in improving public transportation for the State's elderly and handicapped	1,367,527	1,305,090	62,437
Transit Program - Locally matched grants to small urban and rural areas under Section 5311, Title 49, United States Code	2,813,393	2,490,274	323,119
Multimodal Operations Administration - Personal Service	374,228	305,099	69,129
Multimodal Operations Administration - Expense and Equipment	650,000	165,441	484,559
Aviation Program - Construction, capital improvement or planning of publicly owned airfields by cities or other political subdivisions, including land acquisition, pursuant to the provisions of the State Block Grant Pilot Program, authorized by Section 116 of the Federal Airport and Airway Safety and Capacity Expansion Act of 1987	16,000,000	11,475,500	4,524,500
Total General Revenue Fund - DOT Federal	48,599,632	30,352,708	18,246,924
STATE ROAD FUND			
To pay the costs of reimbursing the counties and other political subdivisions for the acquisition of roads and bridges taken over by the state - Personal Service	193,950,923	191,296,776	2,654,147
To pay the costs of reimbursing the counties and other political subdivisions for the acquisition of roads and bridges taken over by the state - Expense and Equipment	126,800,000	126,764,212	35,788
To pay the costs of reimbursing the counties and other political subdivisions for the acquisition of roads and acquisition of roads and bridges taken over by the state - Construction and Maintenance	642,926,317	629,931,512	12,994,805
Transportation Enhancements Program of the Intermodal Surface Transportation Efficiency Act of 1991 - for the purpose of funding transportation enhancement activities	6,200,000	4,926,393	1,273,607
Multimodal Operations Administration - Personal Service	129,157	129,157	0
Multimodal Operations Administration - Expense and Equipment	15,000	8,782	6,218
Total State Road Fund	970,021,397	953,056,832	16,964,565
THIRD STATE BUILDING FUND			
Highway purposes	49,500	49,500	0
Non-highway purposes	49,500	49,500	0
Total Third State Building Fund	99,000	99,000	0
THIRD STATE BUILDING TRUST FUND			
Highway purposes	12,212	0	12,212
Non-highway purposes	1	0	1
South Riverfront Expressway in Jackson County	239,589	142,349	97,240
Construction of new traffic signals, turn lanes, lighting and associated work at the intersection of Route 291 and Route 150 in Jackson County	180,000	0	180,000
Design of the South Riverfront Expressway in Jackson County	54,592	0	54,592
Poplar Bluff Municipal Airport to extend runways and taxiways, acquire land and easements and associated improvements in Butler County	65,176	65,176	0

Poplar Bluff Municipal Airport to extend runways and taxiways, acquire land and easements and associated improvements in Butler County	24,699	24,699	0
Total Third State Building Trust Fund	576,269	232,224	344,045
STATE HIGHWAY DEPARTMENT FUND			
Division of Maintenance and Traffic - Design of the renovation of the existing headquarters offices or a new facility to house the headquarters offices	565,600	0	565,600
Design and renovation or construction and/or for the purchase of a new building for the District 4 Office in Kansas City	954,475	7,300	947,175
Design and renovation to District 5 Headquarters	1,061,421	1,032,668	28,753
Division of Maintenance and Traffic - Design of a new office and garage facility	400,000	43,200	356,800
Design, renovation, construction, and improvements to district offices - Lee's Summit	4,827,879	0	4,827,879
Design, renovation, construction, and improvements to district offices - Macon	2,818,264	70,022	2,748,242
Design, renovation, construction, and improvements to district offices - Sikeston/design	412,448	0	412,448
Design, renovation, construction, and improvements to district offices - Sikeston	4,765,759	0	4,765,759
Highway Employee Fringe Benefits - Personal Service	54,543,857	53,185,726	1,358,131
Highway Employee Fringe Benefits - Expense and Equipment	20,962,324	20,204,688	757,636
Highways and Transportation Commission and Highway Program Administration - Personal Service	19,303,407	14,616,473	4,686,934
Highways and Transportation Commission and Highway Program Administration - Expense and Equipment	1,700,227	1,506,578	193,649
Total State Highway Department Fund	112,315,661	90,666,655	21,649,006
STATE TRANSPORTATION FUND			
Multimodal Operations Program - Reimbursements to the State Highway and Transportation Department Fund for providing professional and technical services and administrative support of transportation activities	29,731	29,731	0
Transit Program - Distributing funds to urban, small urban and rural transportation systems in the same proportion as these systems have experienced reductions in federal funding	8,135,660	8,135,512	148
Rail Program - State participation in joint state/federal Amtrak Rail Passenger Service Program	950,000	950,000	0
Multimodal Operations Administration - Personal Service	40,060	19,994	20,066
::			
Rail Program - Station repairs and improvements at Missouri Amtrak stations	25,000	0	25,000
Total State Transportation Fund	9,180,451	9,135,237	45,214
AVIATION TRUST FUND			
Aviation Program - Construction, capital improvements, maintenance of publicly owned airfields by cities or other political subdivisions, including land acquisition, and for printing of charts and directories	650,000	352,199	297,801
Total Aviation Trust Fund	650,000	352,199	297,801
Total All Funds	$ 1,153,239,643	1,094,073,703	59,165,940

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Missouri Department of Transportation.

The Self-Insurance Fund, presented in Exhibits A through C, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the fund's activities.

Expenses presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the fund or applicable program.

Receipts, disbursements, other financing sources (uses), and changes in cash and investments are presented in Exhibit D for the General Revenue Fund-DOT Federal, the State Highway Department Fund, the State Road Fund, the State Transportation Fund, the Aviation Trust Fund, the State Transportation Assistance Revolving Fund, and the Local Fund. Appropriations from these funds, except for the Local Fund which is a nonappropriated fund, are expended by or for the department for restricted purposes.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Appropriations, presented in Exhibit E, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Self-Insurance Fund, Exhibits A through C, are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

The Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments, Exhibit D, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit E, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly, except for the Self-Insurance Fund and the Local Fund which are controlled entirely by the department.

Self-Insurance Fund: Section 226.160, RSMo, authorizes a self-insurance plan for workers' compensation for the department and the state highway patrol. Under Section 226.160, RSMo, the self-insurance plan for workers' compensation is established pursuant to the provisions of Chapter 287, RSMo, governing workers' compensation. Under Chapter 287, RSMo, the Department of Labor and Industrial Relations-Division of Workers' Compensation has required the department to establish an escrow agreement in the amount of $200,000 to operate as a self-insurer. The department is in compliance with this requirement and maintains contributed capital in the amount of $210,000 in a escrow account funded by a contribution from the State Highway Department Fund. Section 226.092, RSMo, authorizes a self-insurance plan for automobile liability for the department. In addition, a self-insurance plan for general liability was established in August 1994. Monies received by the fund are amounts for payment of claims and administrative costs.

General Revenue Fund-DOT Federal: The department administers several programs financed wholly or partially by federal monies maintained in the state treasury in the Department of Transportation's Federal Account. These federal funds may be received in advance, when related expenditures are made, or after they are made. Appropriations from this fund authorize the disbursements of the department's federal funds.

State Highway Department Fund: This fund is constitutionally established to receive revenues derived from the use of state highways. This fund pays the costs incurred to collect that revenue, to administer the Highway and Transportation Commission and the Department of Transportation, to administer and enforce state motor vehicle laws and traffic regulations, and to provide other related functions.

The fund consists of monies received from the Motor Fuel Tax Fund and collections from highway users incident to their use or right to use the highways of the state, including all state license fees and taxes upon motor vehicles, trailers, and motor fuels, and upon the privilege of the manufacture, receipt, storage, distribution, sale and use thereof, excepting the sales tax on motor vehicles and trailers and all property taxes not apportioned to local governmental units. All interest earned on the fund is credited to the fund. The Department of Revenue acts as agent for the fund in collecting these monies.

Disbursements are authorized by appropriation, and balances remaining in the fund are perpetually maintained for the purpose of the fund, except that end-of-the-month balances in excess of $35 million (increased from $12 million effective July 1998) are transferred to the State Road Fund.

State Road Fund: This fund is constitutionally established to receive monies from the federal government intended for highway purposes. Other revenues of this fund include interest earned on the fund balance, transfers from the State Highway Department Fund and Motor Fuel Tax Fund, motor vehicle sales taxes, and any other revenues if held for expenditure by or under the department and if not required to be placed in the State Highway Department Fund. This fund pays costs incurred to construct, improve, and maintain the state highway system. Disbursements are authorized by appropriation, and balances remaining in the fund are perpetually maintained for the purpose of the fund.

State Transportation Fund: This fund is constitutionally established to receive 1 percent of one-half of the 3 percent state sales tax on all motor vehicles. As provided by Section 226.225, RSMo, appropriations from this fund authorize the disbursements for transportation purposes other than road and highway construction and maintenance. Balances in the fund are perpetually maintained for the purpose of the fund.

Aviation Trust Fund: This fund is established by Section 155.090, RSMo, to receive the amount of use tax on aviation fuels used in aircraft for which no refund was applied. Section 142.230, RSMo, allows a refund of the motor fuel tax if the fuel is not used in the operation of motor vehicles on the highways. If a person uses the fuel in an aircraft but fails to apply for a refund, the amount of the refund is considered a gift to the Aviation Trust Fund.

As provided by Section 305.230, RSMo, appropriations from this fund authorize disbursements for the annual printing of aeronautical charts and directories, airport safety improvement projects, aviation safety workshops, promotion of aerospace education, and as matching funds on an 80 percent state/20 percent local basis for preventative maintenance and emergency repairs of publicly owned airport runways, land acquisition for development or improvement to airports, construction or repair of airports, engineering, technical studies or consultation related to aeronautics, airport planning projects, and for various safety and communications equipment. Balances in the fund are perpetually maintained for the purpose of the fund.

State Transportation Assistance Revolving Fund: This fund is established by Section 226.191, RSMo, to receive moneys appropriated or credited to it by the General Assembly for transportation needs other than the construction or maintenance of state highways. Other revenues of this fund include interest earned on the fund balance and any gifts, contributions, grants or bequests received from federal, private or other sources.

Disbursements are loans to any political subdivision of the state or to any public or private not-for-profit organization for the planning, acquisition, development and construction of facilities for transportation by air, water, rail or mass transit; for the purchase of vehicles for the transportation of elderly or handicapped persons; and for the purchase of rolling stock for transit purposes. Loan repayments, including interest, are credited to the fund and are used for other eligible projects. Balances in the fund are perpetually maintained for the purpose of the fund.

Local Fund: This fund, as authorized by Section 227.180, RSMo, receives as trustee monies from any county, civil subdivision or other interest party which may contract to contribute toward the costs of construction of any road or bridge as part of the state highway system. Disbursements from the fund consist primarily of refunds and transfers to the State Road Fund for costs of local projects.

General Revenue Fund-State: The department receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

Third State Building Fund: The department receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund

are used for certain capital improvement projects. Any unexpended balances, representing the uncompleted portion of capital improvement projects, are transferred to the Third State Building Trust Fund and reappropriated for the following year.

Third State Building Trust Fund: The department receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for certain capital improvement projects. Unexpended balances that are reappropriated for the following year represent the uncompleted portion of capital improvement projects.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Highway Employees' and Highway Patrol Retirement System (HEHPIP) (a noncontributory plan) and may participate in the Missouri Department of Transportation and Missouri State Highway Patrol's medical benefit and life insurance plan, and the state's deferred compensation and cafeteria plans. The cafeteria plan involves employee payroll reductions. The deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for social security and medicare taxes are paid from the same funds as the related payrolls. Retirement system contributions and the state's contribution to the medical benefit and life insurance plans are paid from the State Highway Department Fund.

Transfers related to the state's portion of social security and medicare taxes are not appropriated by agency and thus are not presented in the financial statement at Exhibit E.

2. Cash and Investments

The balances of the General Revenue Fund-DOT Federal, State Highway Department Fund, State Road Fund, State Transportation Fund, Aviation Trust Fund, and State Transportation Assistance Revolving Fund are pooled with other state funds and invested by the state treasurer.

Amounts in the Self-Insurance Fund and the Local Fund represent cash and investments which are in the custody of the department. The department has determined that checking accounts, repurchase agreements, U.S. Treasury notes, and U.S. Government Agency notes are appropriate types of accounts and investments for its needs.

Self-Insurance Fund

Deposits

The department's deposits consisted of a noninterest-bearing checking account with a carrying amount equal to the bank balance of $62. The department's deposits at June 30, 1998, were entirely covered by federal depositary insurance.

Investments

The department's investments are composed of the following:

	June 30, 1998 Fair Value
Repurchase agreements (interest rate of 5.361) percent)	$ 286,185
U.S. Treasury notes (interest rates of 4.75 to 6.375 percent)	6,093,509
U.S. Government Agency notes (interest rates of 5.27 to 6.45 percent)	17,165,586
Total	$ 23,545,280

The net increase in the fair value of investments during the year ended June 30, 1998, was $20. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

These investments were held by a third-party custodial bank in the department's name, and were entirely covered by collateral securities held by the department's custodial bank in the department's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo 1994, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Local Fund

Deposits

The department's deposits consisted of a noninterest-bearing checking account with a carrying amount equal to the bank balance of $247,089. The department's deposits at June 30, 1998, were entirely covered by federal depositary insurance or by collateral securities held by the department's custodial bank in the department's name.

Investments

The department's investments are composed of repurchase agreements with a fair value of $17,717,917.
These investments were held by a third-party custodial bank in the department's name, and were entirely covered by collateral securities held by the department's custodial bank in the department's name.

3. Risk Management

Various lawsuits against the department arise incident to the department's normal operations. These include workers' compensation, vehicle liability, general liability, inverse condemnation, and contractor suits. It is the policy of the department not to purchase commercial insurance, but to manage its risks internally by setting aside assets for the settlement of certain claims in its internal service fund, the Self-Insurance Fund. The Self-Insurance Fund services claims for workers' compensation, vehicle liability, and general liability.

Inverse condemnation and contractor suits are paid from the State Road Fund. While the outcome of cases currently in litigation cannot be determined, lawsuits are usually settled for substantially less than the amount of the suits. Historically, the amounts paid from the State Road Fund for such suits have not been material to the financial statements; therefore, no provisions for any liability that may result from such suits have been made in the financial statements.

Self-Insurance Fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated claims payable represents the department's determination of the expected losses to be realized on known claims pending against the Self-Insurance Fund. Department personnel estimate the claims liability based on prior claims experience. Estimated unreported claims represents expected losses or claims against the Self-Insurance Fund that have been incurred but not reported. The unreported claims liability is established from data provided by an actuary.

Liabilities for incurred losses are reported at their discounted value, assuming an investment yield of 7 percent. Changes in the balance of claims liabilities during fiscal year 1998 were as follows:

	Balance July 1, 1997	Claims and Changes in Estimates	Claim Payments	Balance June 30, 1998
Estimated claims payable and unreported claims	$ 18,947,836	10,130,590	7,853,423	21,225,003

The department contracts annually with an actuary to provide estimates of fund liabilities. The estimates include pending claims and claims incurred but not reported. The actuary's estimates of unpaid losses at July 31, 1998, discounted at a rate of 7 percent for investment earnings, were as follows:

	Method 1	Method 2
Highway workers' compensation	$ 11,007,000	13,442,000
Highway patrol workers' compensation	2,162,000	2,621,000
Highway automobile liability	1,423,000	1,637,000
Highway general liability	5,452,000	7,885,000
	$ 20,044,000	25,585,000

Method 1 estimates of ultimate losses are calculated by utilizing the incurred loss development method. Method 2 estimates include the incurred loss development method, the paid loss development method, and the expected loss and development method.

4. Loan Proceeds

Loan proceeds consist of loans or advancements from the federal government, local governmental entities, or private sources to finance the acceleration of state projects which must be repaid in the future.

5. Operating Transfers Out

The transfer out amounts include the applicable funds' proportional share of fiscal year 1996 and 1995 refunds required by Article X, Section 18 of the Missouri Constitution. These

Fund	Amount
State Highway Department Fund	$ 8,207,612
State Road Fund	9,729,184
State Transportation Fund	4
Aviation Trust Fund	26,331

refunds were:

6. Appropriations Exercised by Other State Agencies

Various state agencies receive direct appropriations from the State Highway Department Fund to pay costs incurred in highway-related activities, and the Aviation Trust Fund for refunding of any overpayments or erroneous payment of any tax which is credited to the fund. These appropriations were exercised during the year ended June 30, 1998, by the following agencies:

STATE HIGHWAY DEPARTMENT FUND

Agency		Amount	
Department of Public Safety	$	103,406,997	
Department of Revenue		93,636,137	*
Department of Economic Development		2,305,986	
Office of Administration		852,698	
State Auditor's Office		571,831	
State Treasurer's Office		388,779	
Department of Natural Resources		4,957	
Employee fringe benefit transfers		11,464,462	
Total	$	212,631,847	

* Includes motor fuel tax refunds totaling $45,865,505.

AVIATION TRUST FUND

Agency		Amount
Department of Revenue	$	12,776

7. Reconciliation of Total Disbursements to Appropriate Expenditures

Disbursements on Exhibit D reconcile to appropriated expenditures on Exhibit E as follows:

	Year Ended June 30, 1998				
	General Revenue Fund-DOT Federal	State Highway Department Fund	State Road Fund	State Transportation Fund	Aviation Trust Fund
DISBURSEMENTS PER EXHIBIT D	$ 30,915,607	91,740,359	1,013,545,849	8,409,565	372,527
Employee fringe benefits	(97,846)	(1,163,879)	(15,797,146)	(7,992)	0
Lapse period expenditures:					
1998	999,631	1,836,437	6,006,386	1,307,217	0
1997	(1,464,684)	(1,714,872)	(53,263,690)	(1,523,553)	(20,328)
Accounts payable, June 30:					
1998	0	400,307	4,427,463	950,000	0
1997	0	(431,697)	(1,862,030)	0	0
EXPENDITURES PER EXHIBIT E	$ 30,352,708	90,666,655	953,056,832	9,135,237	352,199

8. Contractual Commitments and Planned Expenses of Highway Construction

At year-end, the department estimated future expenses on projects in progress and in various stages of planning as follows:

	June 30, 1998
By outside contractors:	
Construction awards	$ 583,329,430
By the department	
Preliminary engineering	255,994,109
Construction engineering	16,198,344
Right-of-way acquisition	56,290,714
Total by the department	328,483,167
Total	$ 911,812,597

Construction awards represent the balances of contract commitments for construction projects. These contractual commitments will become legal obligations of the department as work is performed or services are provided. These contractual commitments and planned expenses are not reflected in the financial statements.

At June 30, 1998, the department estimated federal participation on federal aid projects included in project totals above was $418,655,532.

9. Innovative Financing Agreements

The MoDOT has entered into a number of agreements with political subdivisions and transportation corporations, whereby alternative funding is secured to build highway projects. MoDOT commits future departmental revenues to repaying the entities which provided the funding. As of June 30, 1998, the obligations are as follows:

	Year Ended June 30,					Subsequent
	1999	2000	2001	2002	2003	Years
City of Columbia	$ 1,250,000					
Missouri Transportation Finance Corporation (Cape Girardeau Bridge Project)		2,000,000	7,000,000	7,000,000	7,000,000	5,000,000
Highway 179 Transportation Corporation		3,182,700	2,731,818	2,813,772	2,898,185	19,754,201
City of Springfield, Missouri State Highway Improvement Corporation			5,000,000	5,000,000	5,000,000	13,667,000
St. Charles County				1,000,000	1,000,000	
City of Belton, Route 58			2,907,000			
Scott County			3,600,000			
City of St. Charles		100,000				
City of Warrensburg	41,500					
Total	$ 1,291,500	5,282,700	21,238,818	15,813,772	15,898,185	38,421,201

Required Supplementary Information

Year 2000 Project

The scope of the MoDOT Year 2000 project covers all functions directly performed by the department, as well as relationships with outside vendors, contractors, government entities, public institutions, and other stakeholders with whom MoDOT exchanges information.

There are unique distinctions between information technology systems and embedded technology components within the operations of MoDOT's basic infrastructure. MoDOT's Year 2000 project distinguishes between activities in these two categories for the purpose of applying appropriate expertise to each one. Although work performed in each category is separate and unique, there is a joint report and a common inventory and remediation database for the department.

MoDOT has adopted a five-stage methodology to address the Year 2000 issue, consisting of the following phases:

Awareness Phase
The awareness phase educates department personnel and the public to the various issues surrounding Year 2000 at MoDOT. Presentations, newsletters, internal web pages, project updates, and other multimedia events are some of the ways this information is disseminated. The project plan is created during this phase, and major tasks and subtasks to complete the work on time are identified. The priority scheme that determines critical exposures is established and key terms are defined.

Inventory Phase
The inventory phase identifies systems and components potentially affected by the year 2000 problem. The department established an initial list of systems and components which could be affected, and similar lists were obtained from national web sites dedicated to solving Year 2000 issues. This phase includes investigation of paper inventories, and a physical count for validation of the record.

Assessment Phase
The assessment phase performs a risk analysis by correlating the inventory list with the established set of priorities to determine the critical sequence for remediation. This phase also produces a remediation strategy that determines which components need remediation, those which are not critical enough to be addressed, and those which are not affected by Year 2000.

Remediation Phase
The remediation phase performs the actual repair, replacement, or disposal of components based upon priorities assigned in the assessment phase. Test procedures, test scripts and vendor validation are also tasks performed in this phase.

Implementation Phase

This phase puts components which have been modified for Year 2000 compliance back into production status. Contingency plans for critical business operations are developed and reviewed with business units to ensure a backup mode of operation exists, and that resources can be applied to the problem for a quick resolution.

Priorities
The department has defined a set of four criteria to address potential problems in MoDOT's systems and equipment. They are:

Priority 1 - Safety related (e.g., traffic signals)
Priority 2 - Immediate loss of stoppage of essential business functions (e.g., overdimension permits, weigh stations, bid lettings, payrolls, bill payment, computer hardware and software, communications, fleet, electric)
Priority 3 - Eventual loss or stoppage of business (e.g., heating, elevators, security, less essential computer hardware and software)
Priority 4 - Noncritical impact (e.g., copiers, microwaves, VCR's, electric wall clocks)

Remediation work is focused on the highest priorities first.

Resources Committed
As of April 2, 1999, in the information technology portion of the project, the awareness phase was 95 percent complete, the inventory phase was 88 percent complete, the assessment phase was 82 percent complete, and the remediation phase was 56 percent complete. In the embedded technology portion, the awareness phase was 95 percent complete, the inventory phase was 82 percent complete, the assessment phase was 77 percent complete, and the remediation phase was 64 percent complete.

An internal staff commitment of more than 28,000 hours is dedicated to the Year 2000 project, and $1.6 million in outside consultant resources will be utilized to complete the plan.

Supplementary Data

Schedule 1
MISSOURI DEPARTMENT OF TRANSPORTATION
SELF-INSURANCE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Year Ended June 30,				
	1998	1997	1996	1995	1994
OPERATING REVENUES					
Insurance premiums					
Highway workers' compensation	$ 4,497,486	3,186,155	2,070,795	4,524,755	5,732,890
Highway patrol workers' compensation	816,696	680,580	408,348	260,430	625,052
Highway automobile liability	849,912	862,822	485,397	461,784	452,031
Highway general liability	995,009	2,259,864	1,606,541	1,101,123	5,560,569
Other	181,670	134,895	274,828	117,864	285,751
Total Operating Revenues	7,340,773	7,124,316	4,845,909	6,465,956	12,656,293
OPERATING EXPENSES					
Program	398,338	255,103	47,976	233,890	543,032
Self-insurance claims	10,130,590	4,241,816	9,865,120	7,791,466	8,486,668
Total Operating Expenses	10,528,928	4,496,919	9,913,096	8,025,356	9,029,700
OPERATING REVENUES OVER (UNDER)					
OPERATING EXPENSES	-3,188,155	2,627,397	-5,067,187	-1,559,400	3,626,593
NONOPERATING REVENUES					
Investment income					
Interest	1,354,880	1,338,953	1,315,676	1,000,173	764,874
Net increase in the fair value of investments	20	0	0	0	0
Total investment income	1,354,900	1,338,953	1,315,676	1,000,173	764,874
REVENUES OVER (UNDER) EXPENSES	-1,833,255	3,966,350	-3,751,511	-559,227	4,391,467
RETAINED EARNINGS, JULY 1	4,276,398	310,048	4,071,559	4,630,786	239,319
To restate contributed capital to amount reserved by MoDOT	0	0	-10,000	0	0
Cumulative effect of a change in accounting principle	-7,435	0	0	0	0
RETAINED EARNINGS, JUNE 30	$ 2,435,708	4,276,398	310,048	4,071,559	4,630,786

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

MISSOURI DEPARTMENT OF TRANSPORTATION
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	1998	1997	1996	1995	1994
Personal service	$ 206,949,636	203,091,232	191,084,660	186,782,328	182,003,987
Employee fringe benefits	53,185,726	52,343,768	49,830,178	49,426,487	36,507,780
Capital improvements	7,788,969	6,184,302	9,263,669	8,752,220	8,405,561
Repairs and improvements	1,364,453	2,117,645	341,062	1,004,640	1,250,283
Programs	52,229,344	37,809,169	28,351,939	28,503,851	25,209,806
Travel and vehicle	16,768,176	18,904,796	17,164,088	16,507,358	16,655,152
Transportation equipment purchases	15,782,178	23,914,983	18,003,572	25,253,921	15,323,389
Office expense	21,537,841	12,492,367	10,652,900	11,316,415	6,857,189
Office and communication equipment purchases	6,004,067	4,837,219	2,891,226	527,847	504,890
Communication expense	3,954,400	3,004,357	2,431,737	2,239,964	1,833,101
Institution and physical plant expense	16,570,856	17,435,447	13,058,607	15,139,919	13,235,053
Data processing expense and equipment	9,240,781	6,342,293	3,545,533	489,118	1,180,600
Professional services	28,802,585	34,277,788	34,266,756	28,560,854	27,217,802
Highway construction	568,584,821	603,197,335	581,786,628	556,671,690	482,353,126
Highway maintenance	50,481,238	69,230,045	60,702,056	80,599,978	126,020,154
Insurance	22,026,353	25,552,632	21,326,810	24,987,036	24,630,035
Central supply purchases	11,167,650	13,711,887	13,689,352	20,802,896	10,023,937
Other	1,634,629	6,821,859	1,005,564	714,753	739,026
Totals	$ 1,094,073,703	1,141,269,124	1,059,396,337	1,058,281,275	979,950,871

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 3

MISSOURI DEPARTMENT OF TRANSPORTATION
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS AND ACCUMULATED DEPRECIATION (NOTE 1)
YEAR ENDED JUNE 30, 1998

	Land	Buildings	Buildings in Progress	Vehicles and Specialized Equipment	Tools and Equipment	Tools and Equipment Federal Funded	Total
INVENTORY							
Balance, June 30, 1997	$ 14,117,628	102,573,061	41,823,890	190,159,372	113,266,345	2,399,515	464,339,811
Additions	4,585,075	21,734,484	6,198,436	14,549,709	14,844,462	306,817	62,218,983
Dispositions	-3,236	-193,251	-21,420,476	-9,252,374	-9,563,173	-253,999	-40,686,509
Balance, June 30, 1998	18,699,467	124,114,294	26,601,850	195,456,707	118,547,634	2,452,333	485,872,285
ACCUMULATED DEPRECIATION							
Balance, June 30, 1997	0	-51,847,632	0	-103,481,274	-71,516,493	0	-226,845,399
Provisions	0	-2,576,114	0	-14,200,534	-11,589,206	0	-28,365,854
Dispositions	0	193,251	0	7,739,967	8,990,813	0	16,924,031
Balance, June 30, 1998	0	-54,230,495	0	-109,941,841	-74,114,886	0	-238,287,222
NET BOOK VALUE							
June 30, 1998	$ 18,699,467	69,883,799	26,601,850	85,514,866	44,432,748	2,452,333	247,585,063

The accompanying Note to the Supplementary Data is an integral part of this statement.

Note to the Supplementary Data

MISSOURI DEPARTMENT OF TRANSPORTATION
NOTE TO THE SUPPLEMENTARY DATA

1. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group. Accumulated depreciation is recorded by reducing the investment in the General Fixed Assets Account Group. The department's general fixed assets consist of the following:

Buildings and Land: The cost of buildings and related improvements is capitalized when purchased and depreciated on a straight-line basis over the estimated useful life. All building and improvements owned at June 30, 1982 were previously expended and are presented as fully depreciated assets. Land has been capitalized at cost and is not depreciated. At June 30, 1998, general fixed assets included $26,601,850 of buildings in progress.

Vehicles and Specialized Equipment: This category consists of all department-owned vehicles and equipment. Equipment is recorded at original cost except for situations in which used equipment is traded in on the purchase of new equipment. In those situations, the recorded cost of the new equipment is the book value of the used equipment plus any cash given. Accumulated depreciation is calculated by using various straight-line or statistically derived formulas over the expected useful lives of the assets.

Tools and Equipment: This category consists of all department-owned tool and equipment items, with the exception of those purchased with federal funds. These items are depreciated on a straight-line basis over their estimated useful lives.

Tools and Equipment-Federal Funded: This category consists of tool and equipment items purchased initially with federal funds. These items are capitalized at cost, but they are not depreciated because including the depreciation expense in the additive rates would result in these costs being claimed again on federal projects.

Right-of-Way and Road and Bridge Construction: The department's accounting system is based on the "Manual of Uniform Highway Accounting and Financial Management Procedures" prepared by the American Association of State Highway Transportation Officials (AASHTO). Under the AASHTO system, the costs of right-of-way acquisition and road and bridge construction are treated as current period expenses and are not capitalized.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

MISSOURI DEPARTMENT OF TRANSPORTATION
SUMMARY OF FINDINGS

1. Property Damage (pages 41-43)

The department has not ensured responsible parties are identified and billed for the cost of repairing damage to MoDOT property. As a result, from January 1995 to March 1999, the department wrote-off as uncollectible approximately $3 million in property damage accounts. If the responsible parties would have been identified, an additional $1.2 million in revenues could have been billed and a substantial portion of this collected. In addition, instances were noted where accounts have not been properly established to account for the costs of repairs where MoDOT property was damaged. The amount of potential revenue which might have been lost as a result of this situation could not be determined.

2. Allocation of Federal Bridge Monies (pages 44-45)

During fiscal years 1998 and 1999, the MoDOT reduced the allocation of federal bridge monies to the various counties within the state and the city of St. Louis by over $1.1 million, the amount of funding appropriated to the State Auditor's office from the State Highway Department Fund during those years. This reduction in allocations did not appear justified.

3. Information Systems Division Reorganization (pages 45-46)

The procurement of consulting services, involving expenditures of approximately $336,000 related to the reorganization of the Information Systems Division, did not appear to be handled properly and authorized in accordance with department policy. There was no written contract/agreement between the MoDOT and the consultant identifying the scope of services to be provided and the compensation to be paid.

4. Moving Expenses (pages 47-48)

The department's employee moving expenses appear excessive.

5. Plane Usage (pages 48-50)

The specific purpose of many flights, all passengers, and other pertinent information is not adequately documented. In addition, documentation authorizing out-of-state flights and a comparison of the cost of a commercial flight to the cost of using a department (or charter) plane is not documented and retained.

6. District Procurements (pages 50-51)

The procurement of certain aggregate materials and gasoline and diesel purchases at various maintenance sheds in District 9 were not made in accordance with the department requirements.

7. Access to Computer System (page 51)

Access to the department's computer system is not updated on a timely basis when an employee moves to a new position or terminates employment.

8. Subrecipient Monitoring (pages 52-53)

The Local Public Agency Manual, which is provided to subreceipient entities and identifies federal compliance requirements, does not address the cash management requirement. The department does not ensure that subrecipients submit the required statement of procedures or ensure subrecipients evaluate at least three firms as required, when the subrecipient obtains engineering services. The department does not have adequate procedures to ensure findings reported in subrecipient audit reports are properly addressed.

MISSOURI DEPARTMENT OF TRANSPORTATION
MANAGEMENT ADVISORY REPORT

We have audited the special-purpose financial statements of the Missouri Department of Transportation as of and for the year ended June 30, 1998, and have issued our report thereon dated April 2, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the department's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Property Damage

Individuals or entities that damage MoDOT property are responsible for paying the costs of repairing the damage. Most of this damage occurs because of vehicular accidents. The District offices are primarily responsible for reporting the damage, accounting for the costs of repairs, and identifying the responsible parties.

When the Districts discover damage to department property, the Districts are supposed to establish a numbered property damage account for each accident to which all repair costs (i.e. labor, material, equipment, etc.) are charged. To identify the individual responsible for the damage, District personnel review accident reports received from the Missouri State Highway Patrol (MSHP) and local law enforcement agencies. Assuming the responsible party can be identified, the department bills the responsible party for the repair costs. If the responsible party has not been determined by the time the District notifies the Risk Management Division that the repairs are complete and all costs have been charged to the applicable property damage account, the department will write off the account as unknown and absorb the cost of the repairs.

During fiscal 1998, property damage costs recorded in the accounts receivable records totaled $1,907,255, property damage collections totaled $895,464, and accounts written off totaled $1,684,739 (including $642,856 in unknown accounts written off in March 1998). As of November 30, 1998, total property damage accounts receivable where the responsible parties were known (involving 1,184 accounts) exceeded $1.6 million. In addition, according to department records at that date, there existed an additional $1.5 million in damage caused by "unknown" parties (involving 1,874 accounts) which were still being carried on the records. Our review of the property damage records and related procedures disclosed the following concerns:

A. The department has not made a sufficient effort to ensure responsible parties are identified and billed for the cost of repairs. During fiscal year 1998, over 2,000 property damage accounts were set up, with approximately 1,200 of these accounts being classified as

unknown. Approximately 70 percent of these unknown accounts relate to accidents in District 4 (Kansas City area) and District 6 (St. Louis area).

During a review of forty property damage accounts classified as unknown established during fiscal year 1998, we were able to match sixteen (40 percent) of these accounts to accident reports (prepared by either the MSHP or a local law enforcement agency) identifying a party responsible for the damage. The cost of repairs accumulated by the department for these sixteen accounts totaled approximately $60,000, and 11 of the 16 accounts, with accumulated costs totaling over $20,000, were written off during fiscal year 1998.

It appears the department has written off as unknown a significant amount of potentially billable revenues. During the period from January 1995 through March 1999, the department wrote off approximately $3 million in unknown property damage accounts as uncollectible. If the department had been able to identify the responsible parties for 40 percent (our error rate) of this amount, the department could have billed and possibly collected an additional $1.2 million related to these accounts. According to Risk Management Division personnel, approximately 75 percent of property damage billings are collected; therefore, it appears a substantial portion of this amount could have been collected had it been billed.

B. It appears in many instances property damage accounts have not been properly established to account for the costs of repairs where MoDOT property was damaged. The MSHP was able to provide us with a listing of all accident reports identifying damage to MoDOT property in fiscal year 1998 from its Statewide Traffic Accident Records (STAR) system. We then selected forty accident reports from this listing to determine if the MoDOT established property damage accounts related to these accidents. In thirty-four of forty (85 percent) accident reports selected, it appears a property damage account was not established. Further, in all these instances, the accident report identified a responsible party. Thus, it appears these individuals were not billed for the costs of any repairs.

Although it appears the cost of repairing the damage related to some of these accidents was minimal, it is likely some of this damage would have been billed had the account been properly established and the responsible party identified. Since property damage accounts were not established and the associated costs of the repairs were not accumulated, we could not determine the amount of potential lost revenue.

As a result of this situation, it appears the department may be losing additional billable revenue due to property damage accounts not being properly established.

We were able to detect the problems noted above through the use of information provided by the MSHP as well as information maintained by the Traffic Division at the department's Support Center. The Traffic Division maintains an accident file related to the number and type of accidents

on a statewide basis and publishes a yearly Statewide Traffic Accident Statistics report. The Traffic Division maintains this accident file from monthly updates to the STAR system received from the MSHP. In addition, the Traffic Division has on-line access to the imaged accident reports from the STAR system.

Although the information maintained in the Traffic Division (including the imaged accident reports) could be very useful in identifying accidents involving damage to MoDOT property and the responsible parties, this information has not been shared with or used by those sections within the department (Risk Management Division and District offices) who are responsible for setting up the accounts, accumulating repair costs, and identifying and billing the responsible parties. From our discussions with various department personnel at both the Support Center and the Districts, it appears that identifying and billing the responsible parties for damage to MoDOT property has not been given a high priority. This has most likely contributed to the problems noted above.

According to MoDOT personnel, the department has five years from the date of the accident to bill the party responsible for the cost of repairing property damage. Therefore, it appears the department could still pursue a significant amount of those accounts written off as unknown in recent years. Considering the limited resources available and the extent of road work needed in the state, the MoDOT should make a concerted effort to ensure all potential revenue sources are pursued to the extent practical.

WE RECOMMEND the department ensure property damage revenue is maximized by properly setting up accounts involving damage to MoDOT property and identifying and billing the responsible parties on a timely basis. Information from the MSHP and the Traffic Division (including imaged accident reports) should be made available to the Risk Management Division and the Districts to assist in this effort. In addition, the department should consider reviewing accounts written off in the past five years to determine if the responsible parties can be identified and billed.

AUDITEE'S RESPONSE

The department has collected $4,832,218 over the past five years through the property damage collection program. We have pursued collection on all claims where major highway structures (bridge, overhead sign, signal light, etc.) were damaged. We agree with the State Auditor that the development of the Patrol's STARS system along with enhancement of our own internal Traffic Accident System may facilitate a centralized search of accidents in an attempt to identify accidents where highway property was damaged. The department will reexamine any file written off over the past five years to see if there is a potential source of recovery identified by the STARS system and/or our own Traffic Accident System. However, the State of Missouri is a comparative negligence state and care and judgment must be exercised in the pursuit of claims collection to avoid counter claims where it can be alleged that a roadway feature contributed to the accident. Each accident is unique and must be carefully analyzed both in terms of a potential property damage recovery as well as any exposure of MoDOT to potential liability. Any increased attention to the collection program will be evaluated for cost effectiveness.

2. Allocation of Federal Bridge Monies

The MoDOT administers federal funds for the replacement and rehabilitation of public bridges from the Highway Bridge Replacement and Rehabilitation Program. Some of these monies are passed-through to the 114 counties within the state and the city of St. Louis (called off-system bridge replacement funds or the BRO Program). Although federal guidelines only require that 15 percent of these monies be allocated to these other political subdivisions, for fiscal years 1998 and 1999, the Missouri Highway and Transportation Commission (MHTC) authorized that $19.4 million in each year be allocated to these entities, representing approximately 19 percent and 17 percent of the funds, respectively.

For fiscal year 1998, the MoDOT reduced the amount allocated to these various entities by $571,831, the total amount appropriated in that year to the Missouri State Auditor's office (SAO) from the State Highway Department Fund. This was done to offset the SAO's audits of County Aid Road Trust (CART) Fund monies in third class counties. It appears this action was taken based on the legal advice of the department's Chief Counsel's Office which concluded that the SAO's audits of CART funds during county audits were an allowable expense (reimbursable) under federal guidelines. That office advised that the payments made to the SAO out of the State Highway Department Fund for CART audits are reimbursable "off the top" of BRO Program funds, and therefore, an amount equal to the audit costs could be deducted from the BRO Program funds prior to the distribution of the funds to the counties. The MoDOT also reduced the fiscal year 1999 allocation to the counties and the city of St. Louis by $600,089, the total amount appropriated to the SAO from the State Highway Department Fund in fiscal year 1999.

It appears the MoDOT's rationale is flawed and the department is not justified in reducing the BRO Program allocations. CART monies are not federal funds; therefore, the department's contention that the SAO audits of CART Fund monies justify the reduction of allocations from BRO Program funds is not valid. In addition, while a small portion of SAO audit costs relate to the audit of BRO funds in third class counties, most of the costs relate to the audit of other monies, including the audit of all MoDOT funds, funds appropriated and expended by other state agencies from the State Highway Department Fund, CART funds, etc. The local governments affected include some entities (including the city of St. Louis and first and second class counties) which receive no audit services from the SAO.

As a result of this situation, BRO Program monies allocated to all counties and the city of St. Louis were inappropriately reduced from what was authorized by the MHTC by over $1.1 million during fiscal years 1998 and 1999.

WE RECOMMEND the department discontinue reducing BRO Program allocations in this manner. Any adjustments to these allocations should be made on an equitable basis and comply with authorizations of the MHTC.

AUDITEE'S RESPONSE

Bridge funds received from the Federal Highway Administration (FHWA) are required to be used for the rehabilitation or replacement of deficient bridges located on public roads. States are required to allocate at least 15 percent and no more than 35 percent of their total apportioned bridge funds to the Off-System Bridge (BRO) Program. The MHTC approved the allocation of bridge funds for the BRO program and the use of the remainder of the funds for rehabilitation or replacement of deficient bridges on the rest of the network maintained by the department.

At the November 1998 Commission meeting, the MHTC made the allocation for the fiscal years 1998 and 1999 for the 114 counties and St. Louis, based on the anticipated revenue from the new TEA 21 funding legislation and the relative condition of the state's bridges on and off the state's system. The most important factor influencing the allocation of bridge funds among eligible recipients is the condition of the bridges being maintained by the counties, the city of St. Louis and MoDOT. The allocation decision made by the MHTC in November 1998 recognized that the condition of state maintained bridges as a group had deteriorated in relation to those maintained by the counties and city. The result was that more than 15 percent of available funds were allocated to BRO. Subsequently in March 1999 the MHTC, after consultation with the counties, increased the allocation for current and future years.

3. Information Systems Division Reorganization

In 1995, management of the Information Systems (IS) Division initiated a reorganization of that division. A consultant was hired in June 1995 to train IS personnel in the methodology used in the reorganization. This training was provided through a series of workshops conducted by the consultant or his designees. From June 1995 to January 1999, the department paid approximately $336,000 for these consulting services. The reorganization was completed in December 1998. Our review of the procurement of these consulting services and related expenditures disclosed the following concerns:

A. The procurement of these consulting services did not appear to be handled properly. It appears no request for proposal (RFP) was prepared to procure these services, nor were written bids or proposals solicited from other consultants.

According to the Director of the IS Division, formal bids or proposals were not solicited in this instance because he considered this consultant to be a sole-source provider of these services. However, the only documentation justifying the sole-source nature of the procurement provided by the Director of the IS Division in this instance was a letter from the consultant which noted that his services were unique and were not available elsewhere because the theory was a proprietary product of the company. Based on the documentation available, it appears this may not have been a proper sole-source

procurement, and it is possible other consultants could have provided similar services to the IS Division.

In addition, it does not appear proper authorization was obtained for these expenditures. It appears the only approval related to these services was authorization from the department's Automation Policy Committee, and this approval appears to have only been related to the $25,000 license fee, not the cost of the training. The department's purchasing authority policy provided that expenditures over $75,000 should be approved by the Commission.

B. There was no written contract/agreement between the MoDOT and the consultant identifying the scope of services to be provided and the compensation to be paid. It appears the consultant established all parameters of the training, including his fee. For example, the agenda for the various workshops (training sessions) was established by the consultant. At his discretion, workshops were added or expanded to include more than one day on a topic. The consultant's fee was on a per workshop (usually a day long) basis and varied by the type of workshop. The cost of the workshops ranged from $4,000 to $6,300.

In addition to the amounts paid to the consultant, it appears the division generally paid luncheon costs for the day long workshops. It appears these meal costs generally averaged about $500 per workshop. The department should review the need to routinely incur meal costs for those individuals attending training sessions or workshops.

It appears the IS Division entered into this arrangement with this consultant without a clear understanding of the potential total costs. The scope of services was not defined by the IS Division and the consultant's fees were not established up-front.

The MoDOT should ensure that its operating divisions procure consulting services in a proper manner and comply with the department's authorization policy. In addition, the MoDOT should ensure all meal costs incurred are necessary.

WE RECOMMEND the department ensure its divisions procure consulting services in a proper manner and comply with the established authorization policy. The department should also ensure all meal costs incurred are necessary.

AUDITEE'S RESPONSE

The original agreement for services from a single source vendor was made in accordance with the guidelines in place, at the time. In our opinion, the commitment was made for valid operating reasons and was executed in accordance with the prevailing policy. The documentation of the transaction may not be ideal, but approvals were obtained through the Automation Policy Committee, in the budgeting process and with management awareness. Subsequently in 1997, the

department clarified and expanded its procurement procedures and published a new procurement handbook. Steps will be taken in the future to ensure formal documentation is retained at decision points for the projects extending over long periods of time. These projects will be treated like a single project rather than several smaller projects.

4. Moving Expenses

The department reimburses various moving expenses related to the recruitment of top management employees as well as the transfer of existing employees to other locations within the state. At our request, the department prepared a report of employee moving expenses paid during fiscal year 1998. According to this report, such costs totaled almost $600,000. As similarly noted in our prior report, it appears some of these expenses may be unreasonable.

The MoDOT's policy for reimbursing such costs meets or exceeds the Office of Administration's (OA) policy in seven of sixteen areas. In addition, the MoDOT provides reimbursement in nine areas that are not allowed by OA's policy. One of these nine areas includes an additional amount to cover the increased tax liability on the reimbursed income tax liability (the gross-up).

While some of the MoDOT's reimbursable items appear typical, especially when a move occurs at the request of the employer, others appear excessive. For example, the total amount paid during fiscal year 1998 to reimburse individuals for their additional tax liability resulting from other reimbursed expenses was $237,636. This additional payment, which included the "gross-up" amount, is determined by applying tax rates ranging from 28.60 percent to 45.65 percent to the taxable moving expense reimbursement and to the tax liability reimbursements. Using the gross-up provision, taxable moving expenses of approximately $9,450 reimbursed to an employee in November 1997, resulted in an additional payment of $6,750, resulting in total reimbursements being paid to this individual of approximately $16,200.

While reviewing the moving expense information provided, we noted an instance where more than one move number was assigned to an individual, and it appears for some of the employees listed, additional expenses could have been paid in a previous or subsequent year. However, we compared the listing to employee salaries to look for instances where the department paid moving expenses exceeding 10 percent of the employee's annual salary. This appeared to be the case in over half of the moves. We noted four moves where the moving expense reimbursement was more than 50 percent of the employee's annual salary with one of the four individuals being reimbursed more than $30,000. By limiting the total reimbursement to 10 percent of the employee's salary, the department's moving expense for fiscal year 1998 would have been approximately $250,000, a savings of about $350,000. It appears that by revising the moving expense reimbursement policy, the department could redirect highway resources to maintenance and construction activities.

Although the department's moving expenses decreased by over 30 percent in fiscal year 1998 compared to the previous year, this was not due to the department changing its reimbursement

policy. In addition, it appears the department is currently reviewing its reimbursement policy and discussing its provisions with the Office of Administration; however, no changes had been made to the policy as of April 1999.

WE AGAIN RECOMMEND the department continue to reevaluate the current moving expense policy, and look for ways to redirect resources currently used on moving to maintenance and construction activities. The department should consider including a per move cap on reimbursements.

AUDITEE'S RESPONSE

Employees are moved to benefit the traveling public by placing the selected talent in the proper location. It is MoDOT's intent to create an environment that will encourage employees to relocate to better serve the department's needs. When an employee relocates they incur substantial out-of-pocket expenses. It is the department's policy to reimburse the actual cost incurred including any tax burden that accompanies this reimbursement. To place an arbitrary limit of 10 percent of salary on moving expense as recommended by the audit would have resulted in 40 employees incurring an average of $9,105 in expenses not reimbursed. In today's tight labor market when competition is exceptionally intense for engineering and technical talents, benefits including moving reimbursements, must be competitive with the market place. The department has made a decision that its current policy is necessary to support its operating needs. We will continue to work with the Office of Administration to identify changes in policy to eliminate differences while continuing to meet those operating needs.

5. Plane Usage

The department maintains a fleet of three planes (a King Air, a Navajo, and a Cessna) to transport department employees and members of the Highway and Transportation Commission for various reasons, such as meetings at the districts, commission meetings, aerial photography, or other department business. According to department records, approximately $207,000 (excluding pilot salaries, but including fuel, oil, parts, and repairs) was spent in 1998 to operate its planes, or a per hour cost of operation ranging from $84 to $482. The department's flight logs are to include information such as the purpose of the flight, the pilot, departure and arrival points, departure and arrival times, flying time, list of passengers, and other miscellaneous information.

The department classified 350 flights taken in department planes from March 1998 through March 1999 into twelve categories, such as travel by a Commissioner(s) for a purpose other than a commission meeting; travel by a Commissioner(s) for a commission meeting; travel by administration office personnel involving one or two passengers; travel by administration office personnel involving over two passengers; etc. Approximately 29 percent and 51 percent of these flights related to travel by Commissioners and department personnel, respectively. The other 20 percent of the flights were for miscellaneous reasons, including aerial photography.

Our review of the flight logs and related documentation disclosed the following concerns:

A. The specific purpose of many flights was not adequately documented. In many instances, the flight logs included only a very general description of the purpose of the flight, such as "meetings". In addition, we noted some information presented on the logs was not complete. There were several instances where departure and arrival points and/or the departure and arrival times were not recorded. In addition, the flight logs did not always list the names of all passengers. Sometimes, if there was more than one passenger, a notation of one passenger's name was included on the log, but the additional passengers were noted as +1, +2, etc.

   To ensure the planes are used only for official state business, the specific purpose of the flight, all passengers, and other pertinent information should be fully documented.

B. Department records indicated twenty-one out-of-state flights occurred between March 1998 and March 1999. One of these flights was a charter flight; however, the other flights were in department planes. According to department personnel, out-of-state travel in department (or charter planes) requires authorization by the department's management. In addition, employees are to provide management a comparison of the costs of commercial flights to the costs of using a department plane. The department did not retain documentation authorizing the out-of-state flights or of the cost comparisons.

   To ensure out-of-state flights in department (or charter) planes are properly authorized and to ensure the most economical use of state resources, the department should prepare and retain written authorization for such flights and retain documentation comparing the costs of commercial flights to the costs of using department (or charter) planes. This documentation should be retained with the other flight information.

WE RECOMMEND the department:

A. Ensure the specific purpose of all flights, the names of all passengers, and other pertinent information is documented.

B. Ensure proper authorization for out-of-state flights and a comparison of the costs of commercial flights to the cost of using department (or charter) planes for such flights is documented and retained.

AUDITEE'S RESPONSE

MoDOT does not classify flights. Flight logs just happened to be stacked and labeled at the time of the audit to verify a legislative request. Since April 1999, all passenger flights are being handled by the Office of Administration - Flight Operations. Flight requests and information are consistently being furnished to OA by the requestor and pilots. The information is included on the flight

manifests. We agree with the recommendation, and the existing process ensures flight information is properly documented.

Ensuring proper authorization for out-of-state flights and economic comparisons are a responsibility of the requestor. We will reiterate to requestors the need to retain this information.

6. District Procurements

During our audit, we reviewed various expenditures and related documentation to support the procurement of aggregate material and gasoline and diesel at several maintenance sheds in District 9 (Willow Springs). Our review disclosed that such purchases were not always made in accordance with the MoDOT requirements. According to the MoDOT's procurement handbook, purchases between $1,000 and $3,000 need written quotes and purchases over $3,000 require formal bids. For purchases under $1,000 (also for purchases of gasoline and diesel over $1,000), the department guidelines allow the use of telephone quotes. The documentation of telephone quotes should include the vendors contacted, the time and date of the contacts, and the vendors' quoted prices. The department's policy requires that bid documentation be retained. The specific problems noted were as follows:

A. In July 1998, maintenance personnel in District 9 purchased sand, costing a total of $8,300, for three maintenance sheds. There was no documentation of bids for this purchase. Since this purchase was over $3,000, the department's formal bid procedures, including the retention of bid documentation, should have been followed.

B. We also reviewed fifty-seven purchases of gasoline and diesel. According to maintenance personnel, telephone quotes are used for these purchases and department procedures for telephone quotes provide that a minimum of three vendors should be called, if three are available. In nine instances (16 percent), no bid documentation was available to support the purchases. In addition, in twenty-five instances (44 percent), there was documentation of only two bids being obtained. Maintenance personnel indicated that in these instances, a third vendor was not available or a third vendor was contacted but did not provide a bid/quote. However, there was no documentation maintained to support these explanations.

   The department needs to ensure that the department's policies and procedures related to the procurement of gasoline and diesel are followed and bid documentation is properly retained.

WE RECOMMEND the department ensure its bid policies and procedures are followed related to the purchase of aggregate material and gasoline/diesel by the districts. In addition, adequate bid documentation should be retained.

AUDITEE'S RESPONSE

We concur that all documentation for bid/quotes should be retained. We will communicate a reminder of this requirement to district staff and request this policy be followed by all locations with these types of transactions. A quality assurance program is being implemented to ensure compliance to this and other department policies and procedures.

7. Access to Computer System

When department employees change jobs or terminate employment, their access to the department's computer system is not updated on a timely basis. An employee is initially authorized access to the system when a Network Access Request Form is processed. This form identifies the access each employee is allowed based on their job title and description, is approved by the appropriate manager, and is sent to the Information System (IS) Division for entry and access to the system. When an employee moves to a different position or terminates employment, the applicable manager is responsible for removing the employee's authorization to the previous access areas. However, according to IS Division personnel, a query of the department's computer system disclosed that over 1,400 employee identification numbers were still in the system related to individuals who were not currently MoDOT employees.

To establish proper accountability and ensure the security of the data within the computer system, access to information should be limited to current department employees who need it to perform their assigned duties. Access to the department's computer system should be updated on a timely basis when an employee moves to a new position or terminates employment.

WE RECOMMEND the department ensure employee access to its computer system is updated on a timely basis.

AUDITEE'S RESPONSE

When department employees change jobs or terminate employment, their access to the department's computer system is not updated on a timely basis.

We concur with the recommendation. Although procedures are in place to deactivate employee computer IDs, delays often occur as a result of the need to determine the proper disposition of departing employees' computer files in regard to ongoing work in their area. A more timely process for performing this task would contribute to a quicker deactivation of computer IDs.

8. Subrecipient Monitoring

The MoDOT passes federal funds to subrecipient local governments through various programs, including the Highway Bridge Replacement and Rehabilitation Program. OMB Circular A-133 requires the grant recipients to provide subrecipients the applicable federal compliance requirements and to monitor the subrecipients' activities to provide reasonable assurance that the subrecipients administer the federal awards in compliance with the federal requirements. The MoDOT provides each recipient of federal funds a Local Public Agency Manual (LPA) which identifies the applicable federal compliance requirements.

A. Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the United States Department of Treasury states that funds should be requested such that they are received not more than two days prior to disbursement of a payment. The LPA does not address this cash management requirement. Some subrecipients incur the related expenditures prior to claiming reimbursement from MoDOT; however, it appears many subrecipients request and receive grant funds from MoDOT prior to disbursing the monies. Audits of some subrecipients have reported these entities holding funds longer than two days before payment is made to the applicable parties, with some monies being held for a significant amount of time.

   The MoDOT must monitor cash drawdowns by its subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the state. In addition, the LPA should be revised to address these requirements.

B. Sections 8.289 and 8.291, RSMo 1994, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The LPA provides that each subrecipient shall submit to MoDOT a statement of procedures which it uses to evaluate and select consultants and that three or more firms be considered before the final selection is made. However, the MoDOT does not ensure that subrecipients submit the required statement of procedures or ensure subrecipients evaluate a least three firms as required. Audits of some subrecipients have reported that the applicable subreicipent had no documentation to indicate at least three engineering firms were considered prior to a contract for engineering services being entered into.

   The MoDOT should establish procedures to ensure subrecipients submit the required statement of procedures and evaluate at least three firms.

C. The MoDOT does not have adequate procedures to ensure findings reported in subrecipient audit reports are properly addressed. Subrecipients have not always been contacted or management decisions issued related to audit findings. OMB Circular A-133 requires subrecipients expending $300,000 or more in federal awards during the subrecipient's fiscal year to have a single audit performed. The pass-through entity is also

required to issue management decisions on audit findings in those reports within six months of receipt of the report and ensure that the subrecipient takes appropriate and timely corrective action.

WE RECOMMEND the MoDOT:

A. Inform subrecipients about the cash management requirements and establish procedures to ensure the requirements are met.

B. Establish procedures to ensure subrecipients submit a statement of procedures used to evaluate and select engineering consultants as required and ensure subrecipients consider at least three firms before procuring such services.

C. Establish procedures to ensure that management decisions are made on subrecipient audit findings within six months after receipt of the audit reports and that the subrecipient takes appropriate and timely corrective action.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address these findings.

This report is intended for the information of the management of the Missouri Department of Transportation and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Missouri Department of Transportation on recommendations made in the Management Advisory Report (MAR) of our reports issued for the Department of Transportation for the year ended June 30, 1997, and the Special Review of Department of Transportation 15-Year Road and Bridge Program. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the department should consider implementing these recommendations.

DEPARTMENT OF TRANSPORTATION
YEAR ENDED JUNE 30, 1997

1. MoDOT Expenditures

A. When comparing the MoDOT's moving expense policy to OA's moving expense policy, the MoDOT policy met or exceeded the OA policy in seven of sixteen areas. The MoDOT also provided reimbursement in nine areas that were not allowed by the OA policy. In addition, some moving expense reimbursements appeared excessive.

B. The necessity for a new in-house wireless communication system to upgrade cellular phone service within the Support Center building was not adequately justified. In addition, the department paid an invoice (related to the upgrade) for $13,080 twice.

C. The Information Systems (IS) Division continued using highly paid computer consultants for various long-term projects. Department personnel indicated they used consultants because their own EDP staff did not have the expertise to develop the needed systems. If some of the work provided by consultants were shifted to employees, the department's cost savings could be substantial.

D. The MoDOT did not have department-wide policies and procedures and a monitoring system for the assignment and usage of cellular phones.

Recommendation:

The department:

A. Reevaluate the current moving expense policy, and look for ways to redirect resources currently used on moving to maintenance and construction activities. The department should consider including a per move cap on reimbursements.

B. Perform an adequate cost/benefit analysis when upgrading phone service. In addition, the department should contact the vendor and obtain reimbursement for the $13,080 overpayment.

C. Actively pursue the hiring of qualified EDP staff to develop necessary departmental systems.

D. Develop department-wide policies and procedures for the use of cellular phones. In addition, cellular phone usage should be monitored to ensure costs are necessary and reasonable.

Status:

A. Not implemented. See MAR No. 4.

B. We noted no similar upgrading of the department's phone system during the current audit. In addition, the department received reimbursement for the overpayment in June 1998.

C. During fiscal year 1998, the IS Division increased the starting salary for its new employees in order to obtain qualified personnel. Although the division hired new employees and filled the maximum number of full-time employee slots, the division continued to experience high turnover. Thus, the department continued to pay significant amounts to computer consultants. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Not implemented. It does not appear any significant changes have been made at this time; however, a revised policy has been drafted. Although not repeated in the current MAR, our recommendation remains as stated above.

2. MoDOT Accounting System Records and Procedures

A. The department used a computerized application to convert receipt and disbursement transactions from the department's object code classification system to the system used by the state's accounting system (SAM). Some department codes were not appropriately converted to SAM codes, resulting in some expenditures being improperly classified on statewide accounting records.

B. The MoDOT had not established a general long term debt account group (GLTDAG) in accordance with generally accepted accounting principles to account for future obligations. In addition, a long-term debt payment was not properly recorded on the state's accounting system.

C. The Property Damage Receivable and the Allowance for Unknown Damage accounts in the department's manual general ledger appeared to be used inappropriately.

D. The department did not submit month-end business billings to the Federal Highway Administration on a timely basis. As a result, more than $320,000 in potential interest revenue was lost in fiscal year 1997 because the deposit of the related reimbursements into the state treasury was delayed.

Recommendation:

The department:

A. Until the switch to the state's accounting system, ensure expenditures are coded so that they will be properly presented on the SAM system. This could include establishing necessary MoDOT object codes which do not currently exist, ensuring existing MoDOT codes properly convert to SAM object codes, ensuring expenditures are charged to the proper department code, and preparing adjusting entries for material amounts recorded in error on the SAM system.

B. Establish a GLTDAG in accordance with generally accepted accounting principles for its long-term debts. The department should ensure long-term debt payments are properly recorded on the state's accounting system.

C. Review the necessity and reasonableness of the Property Damage Receivable and allowance account.

D. Reduce the time between the expenditure of funds and the request for federal reimbursement.

Status:

A. Partially implemented. Effective July 1998, the department changed several of its object codes to properly convert to the SAM system. In addition, department personnel indicated the conversion to the new statewide financial accounting system in July 1999 should help resolve other problem areas.

B. Implemented.

C. Implemented. The department discontinued recording unknown damage accounts as accounts receivable on the general ledger and eliminated the allowance account. Now only property damage accounts where the responsible parties are known are included in the general ledger's accounts receivable.

D. Not implemented. During fiscal year 1998, month-end business billings were still not being submitted to the Federal Highway Administration on a timely basis. However, the department is actively involved in OA's implementation of the new statewide financial management software system. Department personnel indicated that once the system is fully implemented, the month-end business billings will be submitted on a timely basis. Although not repeated in the current MAR, our recommendation remains as stated above.

3. General Fixed Asset Records and Procedures

A. Equipment which was 100 percent federally funded was not included in the general ledger general fixed assets account.

B. Completed projects included in the department's general ledger account Buildings in Progress (BIP) were not transferred to the Buildings account in a timely manner.

C. The MoDOT did not determine if its lease-purchase agreements for computer hardware met the criteria for a capital lease.

D. An annual physical inventory of general fixed assets of various divisions was not taken, although annual inventories were required by department policy.

Recommendation:

A. Record 100 percent federally funded equipment in the general ledger.

B. Ensure BIP project costs are transferred to the Buildings account on a timely basis after completion of the project.

C. Review lease-purchase agreements to determine if the leases are capital leases. The department should record assets acquired under capital lease agreements on the fixed asset records at the inception of the lease.

D. Ensure annual physical inventories of general fixed assets are taken, in accordance with department policy.

Status:

A,B &D. Implemented.

C. Partially implemented. The MoDOT has taken a physical inventory of all lease-purchased computer equipment and plans to record this equipment on the fixed asset records after June 1999.

4. District Office Reviews

A. An annual physical inventory is taken of maintenance materials, petroleum products, and garage stock inventories. Variances between the physical counts and the inventory records were not adequately investigated.

B. An annual physical inventory of all tool and equipment items was not always taken at one of the district offices visited during the audit.

C. Money received by one of the districts visited was not always transmitted to the Support Center in a timely manner.

Recommendation:

The department:

A. Establish inventory control systems which permit timely investigation of variances/discrepancies between inventory records and physical counts. Adjustments should only be made after differences are investigated, and approval for the adjustment is made by an appropriate individual.

B. Ensure annual physical inventories of general fixed assets are taken, in accordance with department policy.

C. Transmit receipts daily or when accumulated receipts exceed $100.

Status:

We did not conduct similar district office visits during the current audit; however, our recommendations remain as stated above.

5. Staffing Levels

The MoDOT's reengineering effort did not determine the optimal overall level of staffing necessary for the various divisions, or if all existing functions were necessary. While there was an overall decline in full-time employees department-wide in 1997, the number of employees at the Support Center continued to increase. In addition, the Support Center did not provide guidelines for tracking the changes in the make-up of its maintenance sheds and staff, nor accumulate district data to determine what was happening statewide.

Recommendation:

The department determine optimum staffing levels and the necessity of the various functions. The department should track staffing to ensure goals are met.

Status:

Implemented.

6. Davis-Bacon Act Compliance

The MoDOT's system of internal control required wage interviews be conducted by the project's Resident Engineer to ensure the contractor was paying the appropriate prevailing wage, in accordance with the Davis-Bacon Act. Wage interviews were not always conducted in accordance with the department's policy

Recommendation:

The MoDOT implement procedures to ensure the required number of wage interviews are performed to document compliance with the Davis-Bacon Act.

Status:

While we again noted problems in this area during fiscal year 1998, it appears the department took actions to address these problems in early fiscal year 1999.

7. Real Property Dispositions

The MoDOT did not always contact the awarding agency prior to disposing of real property acquired with federal funds as required.

Recommendation:

The MoDOT obtain disposition instructions prior to disposing of real property acquired with federal funds.

Status:

We noted no instances of errors of this type during the current audit period.

15-Year (1992-2007) Road and Bridge Program

Due to the lack of adequate cost data, the department was not able to adequately monitor progress on the 15-Year Plan. The department did not track the 15-Year Plan actual construction costs by project and periodically compare the original estimated costs to actual costs incurred. The 15-Year Plan did not consider inflation in its cost estimates and the plan's estimate of funds available for construction was never adequate to meet initial estimates of project costs. Substantial construction funds were used on projects other than 15-Year Plan projects, projects were not adequately prioritized and periodically reevaluated. In addition, estimated and actual revenues and project costs were not adequately reviewed, compared, and evaluated.

Recommendation:

The department better monitor all aspects of the 15-Year Plan. Priorities should be established for the remaining projects and periodically evaluated and modified as necessary. A new estimate of the plan costs for the remaining projects should be developed which considers factors such as inflation, new state and federal regulations, and changes in the planned scope of projects.

Status:

In the department's first Annual Report to the Joint Committee on Legislative Oversight, in November 1998, the department concluded that the initial cost estimates of the 15-Year Plan were substantially understated and underlying assumptions were not correct. The MoDOT indicated that it was not possible, under any reasonable assumptions, for the department to complete the 15-Year Plan with currently anticipated revenues. Thus, the 15-Year Plan was replaced with a 5-Year Plan.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI DEPARTMENT OF TRANSPORTATION
HISTORY AND ORGANIZATION

The State Highway Department was created in 1913 to act as the state's agent for public roads. The State Highway Commission was created in 1921 with the passage of the Centennial Road Law and was charged with the administration of the network of connecting state highways, including their location, design, construction, and maintenance. Missouri's state highway system currently embraces some 32,319 miles of highway which have been developed and improved since 1917.

The Missouri Department of Transportation was created by the Omnibus State Reorganization Act of 1974. The department's objective was to develop and implement a plan for meeting the total transportation needs of the people of the state.

The Missouri-St. Louis Metropolitan Airport Authority, the Bi-State Development Agency, the Kansas City Area Transportation Authority, and the four bridge commissions were assigned to the Department of Transportation by the reorganization act. The Missouri Rail Facility Improvement Authority was established pursuant to Section 620.954, RSMo, and was attached to the Highway and Transportation Commission for reporting and budgeting purposes, but is otherwise not subject to the supervision and control of the Commission. Effective July 1, 1985, Section 620.953, RSMo, transferred all powers, duties, and functions of the Missouri Rail Facility Improvement Authority to the Department of Economic Development, Division of Community and Economic Development.

On November 6, 1979, an amendment to the Missouri Constitution was passed by the state's voters. It merged the Department of Transportation and the State Highway Department to form the Department of Highway and Transportation. This constitutional amendment gave a newly created Highway and Transportation Commission the authority over all state transportation programs and facilities.

In August 1996, Section 226.005, RSMo, changed the name of the department to the Department of Transportation.

The department is divided into a support center and ten districts. The Support Center, which oversees the operation and administration of the department, is separated into administrative and engineering divisions and is located in Jefferson City. The districts are ten separate geographical areas with a district engineer in charge of each district to administer the work within the defined area.

The Multimodal Operations Division is responsible for developing and promoting appropriate use of navigable waterways, including the development of ports. It is also to develop, or assist in developing, public mass transportation systems in rural and urban areas, with attention to elderly and handicapped users. In addition, it is responsible for developing aviation and rail facilities and services.

At June 30, 1998, the department employed 6,338 individuals.

The Highway and Transportation Commission is a bipartisan body of six members appointed by the

governor with the consent of the Senate for a term of six years. Not more than three members can belong to the same political party. At June 30, 1998, the six members were:

Member	City	Term Expires	
S. Lee Kling, Chairman	St. Louis	October 13, 2001	(1)
Robert E. Jones, Vice Chairman	Des Peres	December 1, 1999	
Edward D. Douglas, Member	Chillicothe	December 1, 2001	
Ollie W. Gates, Member	Kansas City	December 1, 2003	
William E. Gladden, Member	Houston	October 13, 2001	
W.L. "Barry" Orscheln, Member	Moberly	December 1, 2003	

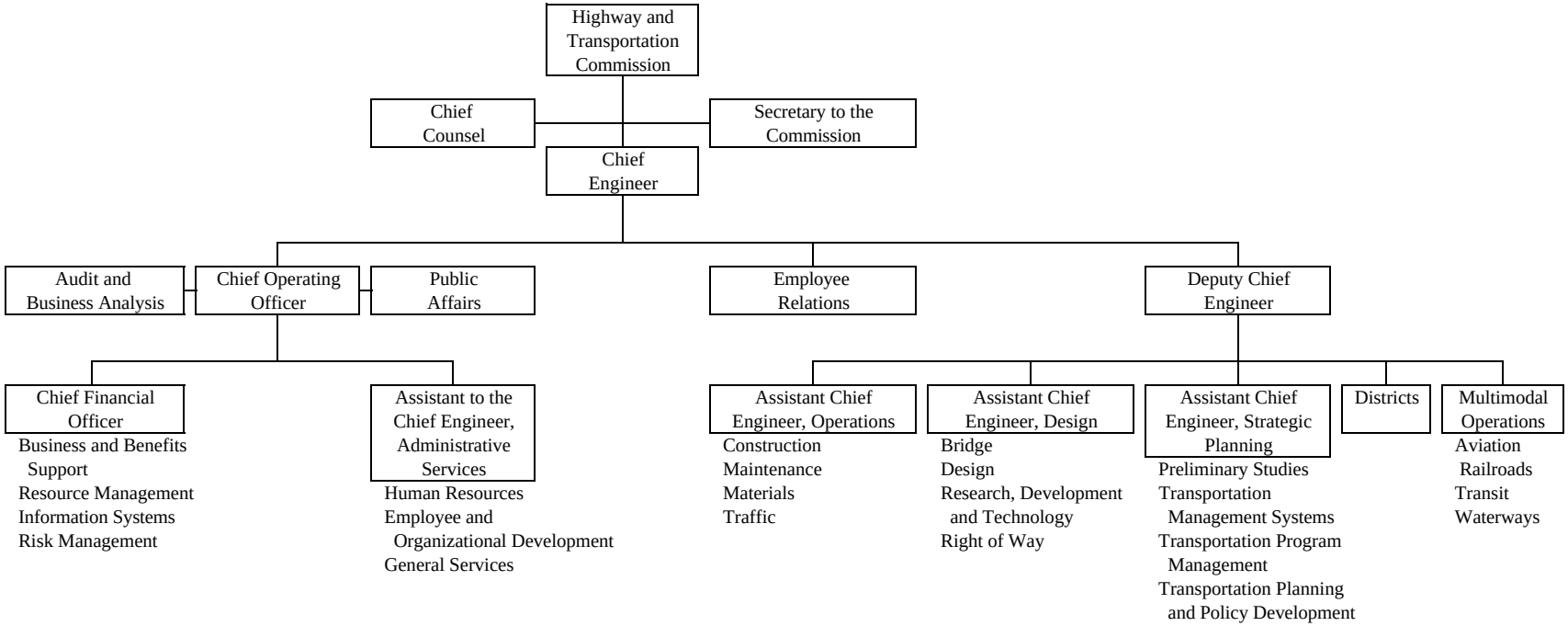
(1) Elected as chairman on January 9, 1998

Also, serving by direct appointment of the Commission at June 30, 1998, were Joseph Mickes, Chief Engineer; Richard L. Tiemeyer, Chief Counsel; and Mari Ann Winters, Commission Secretary.

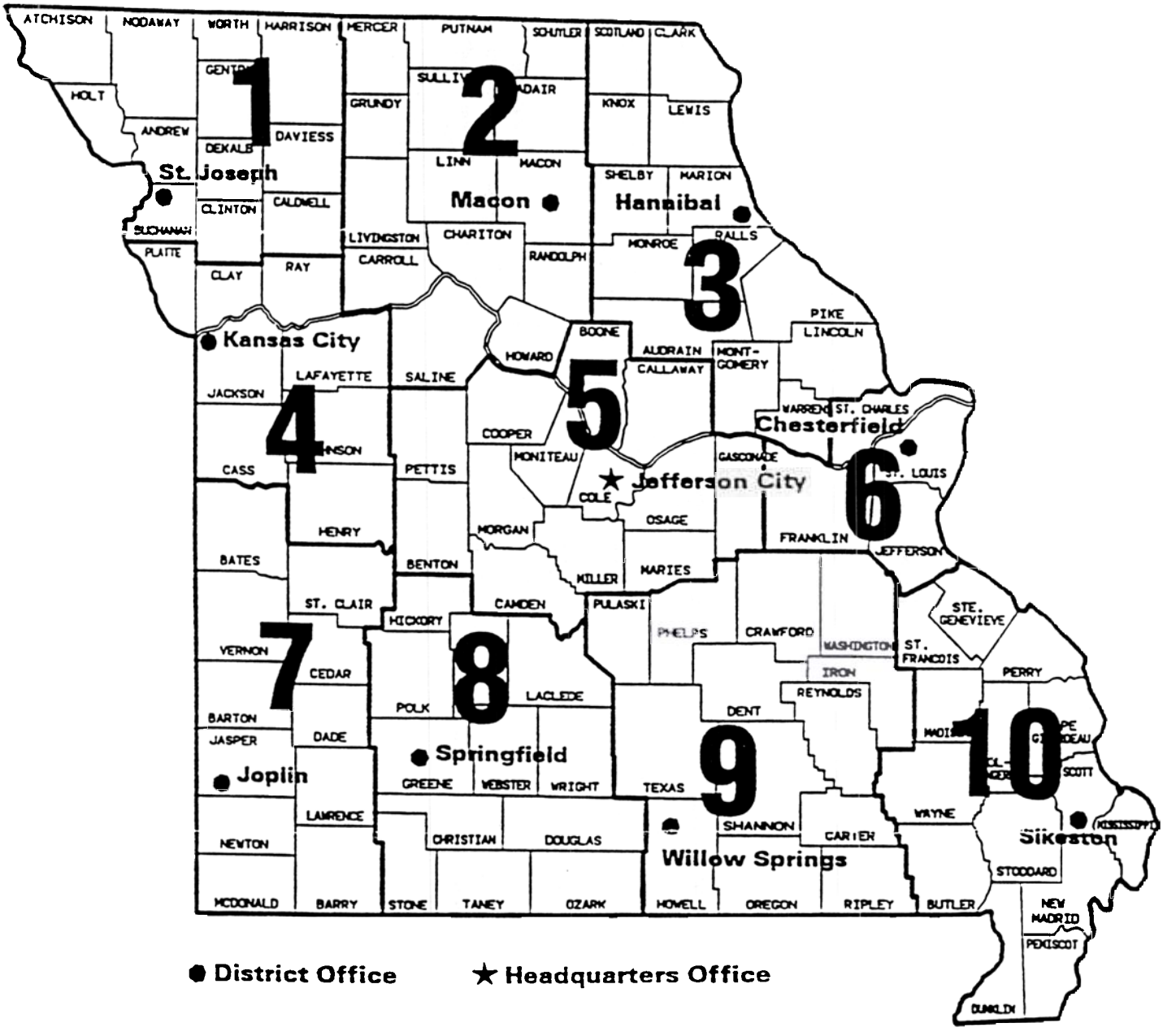
In 1998, Section 226.040, RSMo, was revised and authorizes the Highway and Transportation Commission to appoint a chief executive officer (director) for the department. Pursuant to this legislative change, in August 1998, the Highway and Transportation Commission appointed Joseph Mickes, as Director. In February 1999, Henry Hungerbeeler replaced Mr. Mickes as Director.

The Director appoints all major administrative chiefs and division heads with the approval of the Commission.

MISSOURI DEPARTMENT OF TRANSPORTATION
ORGANIZATION CHART
JUNE 30, 1998



MISSOURI DEPARTMENT OF TRANSPORTATION
DISTRICT OUTLINE MAP



MISSOURI DEPARTMENT OF TRANSPORTATION
MILES OF ROAD AND NUMBER OF EMPLOYEES BY DISTRICT

	Number of Miles at December 31, 1997				Number of Employees*	
District	Interstate (1)	Primary (2)	Supplementary (3)	Total	June 30, 1998	June 30, 1997
No. 1 - St. Joseph	189	468	2,463	3,120	414	434
No. 2 - Macon	24	732	2,988	3,744	441	440
No. 3 - Hannibal	39	725	2,561	3,325	429	426
No. 4 - Kansas City	201	559	1,687	2,447	729	728
No. 5 - Jefferson City	78	819	2,723	3,620	486	503
No. 6 - Chesterfield	224	215	1,016	1,455	840	848
No. 7 - Joplin	60	726	2,556	3,342	441	443
No. 8 - Springfield	86	783	2,796	3,665	500	515
No. 9 - Willow Spring	79	1,048	2,613	3,740	401	411
No. 10 - Sikeston	198	742	2,921	3,861	507	514
Support Center	0	0	0	0	1,150	1,165
	1,178	6,817	24,324	32,319	6,338	6,427

* Does not include part-time seasonal employees.

(1) Interstate highways, such as I-70 and I-44, are a national system designed to promote interstate commerce and provide defense access needs.

(2) Primary highways extend into each county of the state and link the state's population centers. This system also provides both interstate and intrastate travel. Primary highways are generally U.S. routes and major state routes such as U.S. 54, MO 37, and MO 5.

(3) Supplementary highways collect traffic and funnel it to the primary system. They also provide a high level of service to adjoining property. They are commonly known as "farm-to-market" roads. Supplementary highways are generally lettered state routes such as A, B, C, and D.

The state system accounts for 31 percent of total roads and streets in the state. Vehicle miles of travel on the state highway system have increased to about 44 billion miles per year.

* * * * *

CITY OF MATTHEWS, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-113
November 23, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Matthews, Missouri.

NOTE: Recommendations, as well as responses from the city, which correspond with the findings below are included in the audit.

During 1998, the Board of Aldermen became aware of serious financial problems facing the city. Instances were noted where a vendor had turned the city's account over to a collection agency to obtain payment and the city had not paid its bills and withholding taxes in a timely manner. The city had not paid New Madrid County since 1988 for their share of election costs and printing the city's tax statements. This bill totals $5,064 and the city is currently making monthly payments to the county. In addition, the city was assessed and paid penalties and interest on delinquent withholding taxes totaling $7,167 during 1997 and 1998.

Records accounting for the amounts billed to and paid by water, sewer and trash customers were inadequate. The former City Clerk's utility accounts receivable records prior to September 1998 were not complete. Some customers were omitted from the records and payments made by customers were not consistently recorded on the receivable records. As a result, it is not clear if many of the customers paid their utility bills.

Budgets and financial statements were not properly prepared and used by the Board of Aldermen to aid in managing the city finances. In addition, the balance in the city's bank accounts was not adequately monitored resulting in unnecessary overdraft and maintenance charges totaling $992 during 1998 and 1997.

Voters approved a one cent general sales tax in 1988, but because city officials failed to provide the Missouri Department of Revenue with the election results, the sales tax was never implemented. As a result, the city has lost significant amounts over the last eleven years.

Water, sewer, and trash revenues have not been restricted for the purpose of providing the related services.

Ordinances have not been adopted to establish the compensation and duties of the city's elected officials and the City Clerk. The former City Clerk received three extra weekly checks totaling $651 that were not included in the payroll register.

The City Collector does not prepare annual reports of tax collections and delinquent taxes, and penalties are not correctly assessed on delinquent taxes.

The city does not have a formal bid policy, documentation to support disbursements was not always retained, the board does not document its review and approval of expenditures, and invoices are not always marked paid after payment is made. Cash bonuses totaling $1,100 were paid to city employees and elected officials during 1998.

The City Clerk also serves as the City Treasurer and the City Collector contrary to an Attorney General Opinion.

Budgets do not meet statutory requirements. The city does not publish financial statements, submit annual financial reports to the State Auditor's office, or obtain annual audits.

Minutes of board meetings were not prepared prior to September 1998, and minutes prepared after this date were not signed. Notices of meetings were not posted. The city's ordinances are not complete and up-to-date, and the city does not have a policy regarding public access to city records.

CITY OF MATTHEWS, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Matthews
Matthews, Missouri 63867

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Matthews, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

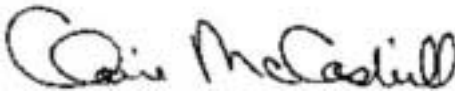
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Matthews, Missouri.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF MATTHEWS, MISSOURI
HISTORY AND ORGANIZATION

The City of Matthews is located in New Madrid County. The city was incorporated in 1943 as a fourth-class city. The population of the city in 1990 was 614. The city government consists of a mayor and four-member Board of Aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the Board of Aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31, 1998	Amount Of Bond
Fred Daniels, Mayor (1)	April, 1999	$ 100	$ 0
Keith Duke, Alderman (2)	April, 1999	25	0
Danny Parker, Alderman	April, 2000	25	
0			
Vacant, Alderman (3)	April, 1999	0	0
John Gardner, Alderman (4)	April, 2000	25	0
Other Principal Officials			
Paula Garland, City Clerk (5)		4,950	$ 15,000
James Cooksey, Jr., City Marshal		2,860	0
Bill Boyd, Municipal Judge		200	0
Lewis Recker, City Attorney		1,200	0

In addition, the city has three full-time employees.

(1) Appointed to replace Thomas R. (Bud) Armstrong who resigned in November 1997. Mr. Daniels was replaced by Gene Curtis who was elected in April 1999.

(2) Re-elected in April 1999.

(3) Thomas Gantner was appointed January 1999 to replace Paula Garland who resigned in September 1998. Mr. Gantner was replaced by Clyde Conley who was elected in April 1999.

(4) Farrell Thompson served as Alderman prior to April 1998.

(5) Appointed to replace Lois Andrew who resigned in September 1998.

Assessed valuation and tax rate information for 1998 is as follows:

ASSESSED VALUATION	
Real Estate	$ 1,782,470
Personal Property	1,015,770
Railroad and Utility	542,456
Total	$ 3,340,696

TAX RATES PER $100 ASSESSED VALUATION	
General	$ 0.55

A summary of the financial activity of the city of Matthews for the year ended December 31, 1998 is presented on the next page.

	Year Ended December 31, 1998						
	General Fund	Water & Sewer Fund	Street Fund	Rural Development Fund	Court Fund	Other * Funds	Total
RECEIPTS							
Property taxes	$ 14,437	0	0	0	0	0	14,437
Intergovernmental revenues	3,833	0	31,229	0	0	0	35,062
Interest	1,759	195	126	0	0	696	2,776
Water, sewer, and trash fees	41,935	87,431	0	0	0	0	129,366
Bond proceeds	0	0	0	350,382	0	8,220	358,602
Grant proceeds	0	0	0	155,498	0	0	155,498
Franchise taxes	31,395	0	0	0	0	0	31,395
Fines and court costs	250	0	0	0	10,984	0	11,234
Donations	0	0	0	0	0	210	210
Other	8,482	0	0	0	0	0	8,482
Transfers in	21,284	2,000	0	0	0	0	23,284
Total Receipts	123,375	89,626	31,355	505,880	10,984	9,126	770,346
DISBURSEMENTS							
Salaries	33,470	25,610	3,056	0	0	0	62,136
Fringe benefits	9,183	5,473	4,328	0	0	0	18,984
Delinquent taxes, interest, and penalties	5,205	2,893	20,881	0	0	0	28,979
Water/sewer supplies	4,401	15,267	0	0	0	0	19,668
Street supplies	0	0	532	0	0	0	532
Repairs and maintenance	0	0	1,789	0	0	0	1,789
Insurance	7,110	4,108	4,428	0	0	0	15,646
Trash service	18,685	0	0	0	0	0	18,685
City Hall building	3,111	0	0	0	0	0	3,111
Water/Sewer project	0	0	0	516,323	0	0	516,323
Utilities	13,582	14,449	6,498	0	0	0	34,529
Attorney services	1,500	0	0	0	0	0	1,500
Loan/Bond payment	7,857	11,508	2,475	0	0	0	21,840
Municipal Court	900	0	0	0	6,896	0	7,796
Bank Charges	67	399	59	7	0	0	532
Other	15,648	4,872	2,389	0	0	8,737	31,646
Transfers out	2,000	11,284	0	0	0	10,000	23,284
Total Disbursements	122,719	95,863	46,435	516,330	6,896	18,737	806,980
RECEIPTS OVER (UNDER) DISBURSEMENTS	656	-6,237	-15,080	-10,450	4,088	-9,611	-36,634
CASH, JANUARY 1,	33,273	20,491	17,367	13,960	3,838	24,379	113,308
CASH, DECEMBER 31,	$ 33,929	14,254	2,287	3,510	7,926	14,768	76,674

MANAGEMENT ADVISORY REPORT

CITY OF MATTHEWS, MISSOURI
SUMMARY OF FINDINGS

1. Financial Oversight and Monitoring (pages 10-11)

During 1998, the Board of Aldermen became aware of serious financial problems such as untimely deposits of federal and state withholding tax, untimely payments to vendors, inadequate records of water, sewer, and trash payments, and inadequate budget and financial statements. In addition, the city lost significant revenue by not properly implementing a one cent general sales tax that voters approved back in 1988.

2. Expenditures (pages 11-13)

The city does not have a formal bid policy, documentation to support disbursements was not always retained, the board does not review and approval all expenditures, and invoices are not always marked paid after payment is made. Cash bonuses totaling $1,100 were paid to city employees and elected officials during the two years ended 1998. The city does not maintain a written agreement for services rendered or obtained.

3. Restricted Revenues (pages 14-15)

The city does not ensure restricted revenues are spent only for allowable purposes. The city has not properly funded various reserve and replacement accounts as required by its revenue bond covenants. Water meter deposits are not separately identified in the general fund and are used for operating expenses.

4. City Utilities (pages 16-17)

Utility accounts receivables are not balanced with billings and collections on a monthly basis. The city has not performed periodic formal reviews of the water or sewer rates. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped.

5. Accounting Records and Procedures (pages 17-19)

The City Clerk also serves as the City Treasurer and the City Collector contrary to an Attorney General Opinion. Controls over cash receipts are not adequate and several weaknesses were noted in cash disbursement records and procedures.

6. Budgets and Financial Reporting (pages 19-20)

Budgets do not meet statutory requirements. The city does not publish financial statements, submit annual financial reports to the State Auditor's office, or obtain annual audits.

7. Board Meetings, Minutes, and Ordinances (pages 20-21)

Minutes of board meetings were not prepared prior to September 1998, and minutes prepared after this date were not signed. Notices of meetings are not posted. The city's ordinances are not complete and up-to-date, and the city does not have a policy regarding public access to city records.

8. Payroll and Personnel Procedures (pages 21-23)

Ordinances have not been adopted to establish the compensation and duties of the city's elected officials and the City Clerk. The former City Clerk received three extra weekly checks totaling $651 that were not included in the payroll register. No records are maintained of vacation and sick leave earned and taken, the city does not have a personnel policy, and employees do not prepare time sheets.

9. Property Tax Procedures (page 23)

The City Collector does not prepare annual reports of tax collections and delinquent taxes, and penalties are not correctly assessed on delinquent taxes.

10. City Property (page 24)

The city does not prepare and maintain permanent, detailed property records for city assets.

11. Municipal Division (pages 24-27)

Municipal division duties are not adequately segregated. Receipt slips are not issued for all monies received, the method of payment is not always indicated on receipt slips, and bank reconciliations are not performed. Account receivable records are not adequately maintained. Records accounting for bond monies are not adequately maintained. Police officers collect fines, costs, and bonds, but are not bonded. The numerical sequence and ultimate disposition of all traffic tickets is not accounted for. Prior to September 1998 court dockets were not prepared for all cases. The court does not file a monthly report of all cases heard with the city, and does not remit fines and costs to the city monthly. Records of convictions are not forwarded to the Missouri State Highway Patrol as required.

1. Financial Oversight and Monitoring

During 1998, the Board of Aldermen became aware of serious financial problems facing the city. These included:

A. The city had not paid its bills and remitted tax withholdings in a timely manner and as a result, incurred numerous and unnecessary interest and penalties. The city failed to file federal and state payroll tax returns and make the required payroll tax deposits timely for the years 1994 through 1998. As a result, the city was assessed and paid penalties and interest on delinquent taxes totaling $7,167 during 1997 and 1998.

B. Instances were noted where a vendor had turned the city's account over to a collection agency to obtain payment. For several years many of the city's vendors had not been paid in a timely manner. As of September 1998, delinquent invoices totaled $24,552. In 1997 and 1998 the city failed to pay their insurance premiums in a timely manner, and was assessed and paid late charges totaling $473.

The city has not paid New Madrid County since 1988 for their share of election costs and printing the city's tax statements. This bill totals $5,064 and the city is currently making monthly payments to the county. The city has also not paid the Department of Natural Resources (DNR) since 1992 for the primacy fee collected from utility customers. In November 1998, DNR estimated the total amount owed by the city to be $3,352; however, DNR waived delinquent amounts upon payment of $559 owed for 1998.

C. Records accounting for the amounts billed to and paid by water, sewer and trash customers were inadequate. The former City Clerk's utility accounts receivable records prior to September 1998 were not complete. Some customers were omitted from the records and payments made by customers were not consistently posted to the receivable records. As a result, it is not clear whether or not many of the customers have paid their utility bills. Additional improvement related to the reconciliation of utility accounts is needed. See MAR No. 4.

According to the city's utility bills, service will be discontinued if payment is not received by the 15th of the month; however, the city's utility employees indicated that prior to 1999 they had not disconnected any customer's service for failure to pay. In addition, the Board of Aldermen does not periodically review delinquent accounts to ensure appropriate follow up action is performed.

D. Budgets and financial statements were not properly prepared and used by the Board of Aldermen to aid in managing city finances. See MAR No. 5. In addition, the balance in the city's bank accounts was not adequately monitored resulting in unnecessary overdraft and maintenance charges totaling $992 during 1998 and 1997. Additional improvements related to the reconciliation and consolidation of bank accounts are needed. See MAR No. 5.

E. Voters approved a one cent general sales tax in 1988, but because city officials failed to provide the Missouri Department of Revenue with the election results, the sales tax was never implemented. As a result, the city has lost significant amounts of revenue over the last eleven years. The city has recently provided the necessary information to the Missouri Department of Revenue and will begin receiving sales tax revenue in late 1999.

F. Water, sewer, and trash revenues have not been restricted for the purpose of providing the related services. In addition, the city has not established all the funds required by its three revenue bond ordinances and currently does not have adequate cash available to meet the reserve requirements. Also, motor vehicle-related receipts were not properly restricted to street-related purposes as required by state law. See MAR No. 3.

Basic internal control and record keeping procedures were not in place. These weaknesses resulted in or contributed to the problems noted above. These weaknesses included the lack of bank reconciliations, minutes not prepared and/or retained, the absence of adequate financial reports and budgets, lack of any reconciliations over utility billings, payments, and accounts receivable, duties not being adequately segregated, numerous invoices, billing stubs and other supporting documentation not being retained, annual audits required by state law not being performed, and a serious lack of oversight by the Board of Aldermen. The board has made significant improvement in many of these areas since they became aware of these problems in 1998. However, additional improvement is necessary as we discuss in the remainder of this report.

The Board of Aldermen needs to establish a plan to properly fund revenue bond reserve accounts and prepare a budget which reflects this plan. In addition, the board needs to ensure an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity. The recommendations contained in the remaining MARs, if implemented will help establish these controls and procedures.

WE RECOMMEND the Board of Aldermen review the current financial situation of the city's funds, ensure financial records are adequately maintained in the future, and adequate controls and procedures are in place.

AUDITEE'S RESPONSE

We have reviewed the current financial situation and the board has taken steps to ensure adequate procedures are in place, or will be put in place.

2. Expenditures

A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past several years, bids were either not solicited or bid documentation was not retained for some purchases including $12,308 for insurance, $2,500 for chemicals, and $845 for a copier.

Formal bidding procedures provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal

opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. The following weaknesses were noted regarding the city's procedures for the payment of bills:

1) Documentation to support various disbursements made by the city during the two years ended December 31, 1998, could not be located. No invoice or other documentation to support the payment could be found by the city for 37 of 50 expenditures selected. All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

2) The board does not adequately document its review and approval of expenditures made by the city. Board meeting minutes prepared after September 1998 occasionally document the board's approval to purchase a specific item, but invoices are not signed or initialed by the board and a supplementary listing of all disbursements approved for payment by the board is not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes.

3) Invoices are not always marked paid or otherwise canceled upon payment. Canceling invoices and all other supporting documentation reduces the likelihood of duplicate payments.

C. During 1998 and 1997, all city employees and elected officials received Christmas bonuses ranging from $25 to $100 each. The cost of the bonuses totaled $1,100 for the two years ended December 31, 1998. In addition, the city spent $916 in 1998 and 1997 for turkeys and hams given to employees and elected officials during Thanksgiving and Christmas.

Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "... a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

D. The city does not always enter into written contracts for services rendered or obtained. The city has an oral agreement with the cemetery board for the city to maintain the grounds of the cemetery for $100 per month. In addition, the city schedules all burials and uses the city backhoe to open and close graves for $250 per burial.

The city does not have a written agreement with the local volunteer fire department for the use of the city's fire truck and fire station, or with its depositary bank or the City Attorney.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the Board of Aldermen:

A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.

B.1. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices and other supporting documentation.

2. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.

3. Ensure all invoices or other supporting documentation are marked paid once payment is made.

C. Discontinue paying Christmas bonuses and purchasing gifts for city officials and employees.

D. Ensure the city enters into formal written contracts for services rendered or obtained.

AUDITEE'S RESPONSE

A,B.2, & D. We will implement these recommendations.

B.1. &B.3. These have been implemented.

C. We will take this recommendation under advisement.

3. Restricted Revenues

A. The city does not ensure restricted revenues are spent only for allowable purposes. The following items were noted relating to the city's restricted revenues:

- The city pays wage and fringe benefit expenses from the water, sewer, general, and street funds. However, these expenses are not consistently allocated and no documentation is available to support the method of allocation used. The former City Clerk indicated that she attempted to pay wages and fringe benefits from the

fund where the related work was performed. However, time sheets or related documentation is not maintained to separately indicate the number of hours related to streets, water and sewer, or other activities.

- In February 1998 the Internal Revenue Service levied $18,535 from the city's street fund bank account for unpaid payroll taxes, interest, and penalties. In addition, the city paid $6,674 to the State of Missouri and the IRS for unpaid payroll taxes and interest in October and November 1998. The city has not performed any calculations to determine what portion of these taxes should be repaid to the street fund from the city's general, water, and sewer funds. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets.

- In September 1998 the current City Clerk began depositing all water, sewer, and trash fees into the general fund and paying all city expenses from this fund. The water, sewer, and trash fees are user charges which are designed to cover the costs of providing these services. Without ensuring these monies are spent only as required and allocating all appropriate costs to these funds, the city can have no assurance that rates are sufficient to cover operating costs and provide a sufficient reserve for unforeseen expenditures. In addition, provisions in the city's bond covenants require all income from the sewerage and water works systems to be paid into the Water and Sewer Funds.

- Law enforcement training fees received by the traffic violations bureau are not separately accounted for. These fees are legally restricted for the training of police officers.

It is essential that the city separately account for the various revenue sources and properly allocate expenses to the various funds. Allocation of expenses is necessary for the city to ensure the water and sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the uses of certain funds, such as state motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

Because the city has not properly accounted for the various revenue sources and has not properly allocated expenses to the various funds, it is likely current balances maintained in various city funds are not correct. The board should determine if appropriate adjustments can be determined.

B. The city issued revenue bonds in 1971, 1978, and again in 1997 for water and/or sewer improvements. The revenue bond ordinances require the city to establish several separate accounts and to fund these accounts with transfers from the water and/or sewer operating revenues. As of December 31, 1998, the city had not transferred the required amounts to some reserve accounts. The balances of the Depreciation and Replacement Accounts and Bond Reserve Accounts were inadequate by $13,500 and $12,058, respectively, as of December 31, 1998.

The failure of the city to establish and adequately maintain the required reserve accounts could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds. It appears the city does not have sufficient cash available in the water and sewer funds to meet and fund the required reserve accounts. The Board of Aldermen needs to establish a plan to fund the accounts required by the city's revenue bonds.

C. City residents are required to pay a meter deposit before receiving water services. Currently, the city collects a $50 deposit; however, a $25 deposit was required prior to February 1999. A separate receipt book is maintained to record the meter deposits. A partial list of customer deposits received by the city since 1989 totals $2,250. However, meter deposit funds have not been segregated within the General Fund and were used for operating expenses.

The city needs to identify all customer deposits that should currently be held by the city and keep the listing properly updated. Meter deposits received by the city should be held in trust and not used for operating expenses. The listing of meter deposits should be reconciled to the meter deposits in the account monthly to ensure that sufficient funds are available for the payment of all liabilities.

WE RECOMMEND the Board of Aldermen:

A. Establish funds to properly account for restricted revenues and ensure all costs paid from the funds are appropriate and reasonably allocated. The board should review the current balances and make other corrections as necessary.

B. Establish a plan to fund the accounts required by the city's revenue bonds.

C. Ensure the city maintains a complete listing of meter deposits and periodically reconciles the listing to monies held by the city.

AUDITEE'S RESPONSE

We are aware of these problems and will take steps to address these recommendations in the future.

4. City Utilities

The city provides water, sewer and trash services to approximately 275 customers. Water meters are read around the twentieth of the month and customers are billed on the last day of the month. Payments are due by the tenth of the month. Our review of these billing practices and related procedures identified the following concerns:

A. The city has not performed periodic formal reviews of the water or sewer rates. City ordinance requires the water and sewer rates to be set at an amount adequate to generate revenues to cover the costs of operation, maintenance, and replacement of the system; however, there is no documentation to indicate that the city periodically reviews water or sewer rates to ensure these costs are adequately covered.

In April 1997 the board approved an increase on **water** rates, but the increased rates were not billed until September 1998 when the city employed a new City Clerk. The current **sewer** rates were originally established by ordinance in December 1984. These same rates were set again by ordinance in May of 1999 because the city could not locate the ordinance from December 1984. The Board of Aldermen have not performed any calculation in recent years to determine the adequacy of the water or sewer rates. Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service. However, the board did not prepare a statement of costs to maintain the water system as required when increasing the rates in April 1997.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as providing documentation to customers of the rationale behind the rates.

B. The current City Clerk records all customer account activity on computer and maintains a record of customer payments; however, month-end utility accounts receivable balances are not reconciled to the beginning accounts receivable balance, billings, collections and other adjustments for that month. The lack of reconciliations represents a weakness in the internal controls of the water and sewer billing and collection system. Reconciliations are needed to help ensure the accuracy of the billing, collection and reconciliation processes.

C. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. To help detect any significant water loss on a timely basis and to help ensure all water usage is properly charged, the city should monthly prepare and maintain records of the total gallons of water pumped and reconcile them to the gallons of water charged. Significant differences should be investigated.

WE RECOMMEND: the Board of Aldermen:

A. Perform periodic reviews of the costs to maintain utility services, and establish rates to ensure the costs of operation, maintenance, and replacement of the city's water and sewer system are covered.

B. Ensure the City Clerk reconciles beginning and ending accounts receivable balances on a monthly basis using the billing, collections and billing adjustments during that month. Any differences which cannot be accounted for should be immediately investigated.

C. Compare the gallons of water pumped to the gallons billed on a monthly basis. Any differences should be investigated.

AUDITEE'S RESPONSE

We will implement these recommendations as soon as possible.

5.	**Accounting Records and Procedures**

A. The board has not appointed individuals to serve as City Treasurer or City Collector. The City Clerk is currently serving as the City Treasurer and City Collector. She collects all receipts, maintains receipt and disbursement records, makes bank deposits, signs checks, and serves as secretary to the board. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. One person holding all of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

B. Receipts are not deposited, intact on a timely basis. Deposits are only made approximately weekly. Varying amounts of cash are withheld from deposits to use as a change fund. To adequately safeguard receipts and reduce the risk of loss, or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed $100.

To ensure all receipts are deposited intact, a change fund should be set at a constant amount.

In addition, a detailed record of monies received by day (with details such as date of payment, method of payment, payor, amount, and type of receipt) is not maintained and reconciled to monies deposited. A detailed record of monies received is necessary to ensure all receipts are accounted for properly and deposited.

C.1. Checks for several of the city's bank accounts are not prenumbered. In addition, prenumbered checks for the other bank accounts were sometimes not issued in numerical sequence. To ensure all checks are properly accounted for and to reduce the risk of unauthorized expenditures, checks should be prenumbered with the numerical sequence accounted for.

2. Voided checks were not always retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

3. The City Clerk, Mayor and one board member can sign checks. The city's printed checks have only one signature line, however city policy requires two individuals to sign all checks issued. However, numerous checks were only signed by City Clerk Andrew. In addition, some checks were signed in advance by a board member. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures. Also, the City Clerk is bonded but the Mayor and the board member are not bonded.

D. The current City Clerk maintains a balance for each account, but does not always perform and/or document a formal bank reconciliation. Monthly bank reconciliations are necessary to ensure that accounting records are in agreement with the bank and errors are detected

on a timely basis. Without proper documentation, there is little assurance that these reconciliations have been performed.

E. At December 31, 1998, the city had 11 checking and savings accounts and 3 certificates of deposit. Maintaining numerous bank accounts unnecessarily complicates bookkeeping functions and increases the risk that errors will occur and not be detected.

WE RECOMMEND the Board of Aldermen:

A. Ensure the receiving and disbursement functions are adequately segregated. At a minimum, there should be a documented supervisory review of the bank reconciliation and review and approval of expenditures.

B. Ensure monies are deposited intact, daily or when accumulated receipts exceed $100. Detailed receipt records should be maintained and reconciled to bank deposits.

C.1. Ensure all checks are prenumbered, and issued in numerical sequence.

2. Ensure all voided checks are defaced and retained.

3. Require dual signatures on checks, discontinue the practice of signing checks in advance, and obtain bond coverage for the Mayor and any board members authorized to sign checks.

D. Ensure monthly bank reconciliations are performed and documented.

E. Consider consolidating monies into fewer bank accounts.

AUDITEE'S RESPONSE

A&E. We will take these recommendations under advisement.

B-D. We have implemented these recommendations.

6. Budgets and Financial Reporting

A. The budgets prepared by the city for the years ended December 31, 1998 and 1997, did not comply with Chapter 67 of the Missouri statutes (the budget law). In addition, the city only prepared a budget for the water and sewer funds in 1999. None of these budgets included projected ending balances, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message. In addition, the city prepared one budget for all funds rather than preparing a budget for each fund separately. To better inform citizens and to ensure the city's budgets reflect the restrictions placed on the city funds, the city should prepare separate budgets for each fund.

Sections 67.010 to 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing

specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues.

B. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.

C. The city does not submit annual financial reports to the State Auditor's Office. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office.

D. The city has not obtained annual audits of the combined waterworks and sewer system. Both the city's bond ordinances, and Section 250.150, RSMo 1994, require the city to obtain an annual audit of the combined waterworks and sewer system, and the cost of the audit is to be paid from the revenues received from the system.

In addition to being required by state law, an annual audit of city funds would help ensure city financial transactions have been properly recorded.

WE RECOMMEND the Board of Aldermen:

A. Prepare annual budgets in compliance with state law, make periodic comparisons between budgeted and actual expenditures, and prepare a separate budget for each fund.

B. Require semi-annual financial statements be prepared and published.

C. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.

D. Obtain annual audits of city financial records.

AUDITEE'S RESPONSE

We will implement these recommendations.

7. Board Meetings, Minutes, and Ordinances

A. Board meeting minutes were not prepared prior to September 1998. Minutes of board meetings should be prepared reflecting such public decisions as bidding, contracting, and other significant matters. For instance, documentation of the reason the sales tax approved by voters in 1988 was never initiated may have been known if minutes had been maintained.

In addition, board minutes prepared after September 1998 were not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

Section 610.020, RSMo, 1994, requires minutes of meetings to be taken by the public governmental body. Besides being required by statute, minutes of meetings provide an official record of board actions and decisions.

B. Notices of the regular monthly board meetings were not posted as required by law. Section 610.020, RSMo 1994, requires all public governmental bodies to give advance notice of their meetings. The notice is to include the time, date, and place of the meeting, as well as the tentative agenda, and should be given in a reasonable manner. This section of law describes a reasonable notice as making available copies of the notice to any representative of the news media, and the posting of such notice at the building in which the meeting is to be held. The board began posting notices of meetings in May of 1999.

C. The city's ordinances are not complete and up-to-date. It appears some of the city's ordinances are missing while others are old and outdated. In addition, as noted in other parts of this report, ordinances have not been adopted in some instances where required. For example, the city has not adopted ordinances to establish the compensation and duties of city officials or to establish the annual property tax rates as required by law.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner.

D. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail such requests, and should establish a cost for providing copies of public records.

Section 610.023, RSMo 1994, lists requirements for making city records available to the public. Section 619.026, RSMo 1994, allows the city to charge fees for copying public records, but the fees shall not exceed the city's actual cost of document search and duplication.

WE RECOMMEND the Board of Aldermen:

A. Ensure minutes are prepared, approved and maintained for all meetings. In addition, minutes should be signed by the Mayor and the City Clerk to attest to their completeness and accuracy.

B. Ensure notices of meetings, including an agenda, continue to be posted as required by law for each meeting of the Board of Aldermen.

C. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.

D. Establish a formal written policy and procedures regarding public access to city records.

AUDITEE'S RESPONSE

A,C,

& D. These recommendations will be implemented.

B. This recommendation has been implemented.

8. Payroll and Personnel Procedures

A. The city has not adopted ordinances to establish the compensation and duties of the city's elected officials and the City Clerk. Sections 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials and employees to be set by ordinance.

B. The former City Clerk was paid a weekly salary during 1997 and 1998. During our review of the weekly checks issued to the former City Clerk we noted three additional payments totaling $651 that were not included in the payroll register and were not included on the City Clerk's W-2 form. The three payments were made in October and December 1997 and January 1998. The former City Clerk has indicated that these payments represent commissions on city taxes and that this arrangement was agreed upon prior to her employment; however, there is no documentation to support that explanation, or to show how they were computed. Since employee compensation has not been established by ordinance, it is unclear if the former City Clerk was to receive commissions on city taxes. In addition, since the city did not maintain board minutes prior to September 1998 it is unclear if these payments were approved by the board.

These checks were signed by Alderwoman Garland, who indicated that she signed blank checks in advance for the former City Clerk and signed checks without reviewing any supporting documentation. The city's current Mayor indicated that he believed the payments were for commissions on city taxes and were handled similarly in the past.

To help ensure the propriety of all payments, documentation should be maintained to support all payments and all payments should be approved by the board. In addition, if these payments were compensation to the former city clerk they should have been recorded in the payroll register and the appropriate payroll taxes withheld.

C. No records are maintained of vacation and sick leave earned or taken. The former City Clerk received $1,155 in September 1998 for 4 weeks of unused vacation leave. Although the Board of Aldermen formally approved payment of the $1,155 to the former City Clerk, there were no time sheets prepared or leave records maintained to document any vacation leave earned and taken throughout the year. Compensation for leave earned but not used should be specifically addressed in the personnel policy.

D. The city has four full-time employees and one part-time employee. The city has not established a personnel policy to address issues such as vacation and sick leave, overtime, and other personnel issues.

A written personnel policy for all employees is necessary to ensure proper compensation for leave earned and taken, equitable treatment among employees, and the avoidance of misunderstandings.

E. City employees do not prepare time sheets. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked. To support payroll expenditures the city should require all employees to prepare detailed time sheets which are reviewed and approved by a supervisor.

WE RECOMMEND the Board of Aldermen:

A. Establish the duties and compensation of all city officials and employees by ordinance as required by statute.

B. Discuss these additional payments to the former City Clerk and determine what action should be taken. In addition, the board should contact the IRS regarding these payments.

C. Maintain records of employee leave earned, taken and paid. Compensation for leave earned but not used should be addressed in the personnel policy.

D. Establish a written personnel policy.

E. Require city employees to prepare time sheets which are approved by a supervisor.

AUDITEE'S RESPONSE

A,C, D&E. We will implement these recommendations.

B. We will take this recommendation under advisement.

9. Property Tax Procedures

A. The City Clerk's duties include collecting and depositing property tax receipts. Monthly and annual reports were not prepared by the former City Clerk summarizing the amount of property taxes collected as well as those that remain delinquent. The current City Clerk has prepared a list of delinquent taxes, but the list is not complete and there is no indication in the board minutes that the list was reviewed by the Board of Aldermen.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of the delinquent taxes. Section 94.330, RSMo 1994, also provides that the board may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.

B. The former City Clerk did not charge penalties on delinquent taxes. The current City Clerk charges penalties, but the penalties were not computed correctly. The city currently

is charging 11.56 percent each time a delinquent notice is sent. Section 140.100.1, RSMo 1994, currently provides a penalty of two percent per month up to a maximum of 18 percent per year for each delinquent tax bill.

WE RECOMMEND the Board of Aldermen:

A. Require monthly and annual reports of property taxes collected and delinquent as required by state law.

B. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.

AUDITEE'S RESPONSE

A&B. We will implement these recommendations.

10. City Property

The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the water and sewer system. Also, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the water and sewer system, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

WE RECOMMEND the Board of Aldermen establish property records for general fixed assets and the fixed assets of the water and sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

AUDITEE'S RESPONSE

We have or will implement each of these recommendations.

11. Municipal Division

A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliations between receipts and deposits by an independent person.

B.1. Prenumbered receipt slips are not written for some monies received and the numerical sequence of receipt slips that are written is not accounted for properly. To adequately account for all monies received and to ensure all collections are deposited, prenumbered receipt slips should be issued for all monies received, and the numerical sequence of receipt slips accounted for properly.

2. The court accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The method of payment is not always indicated on receipt slips. To ensure receipts are deposited intact, the method of payment should be indicated on the receipt slips and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

3. Bank reconciliations are not performed. In addition, the former Court Clerk did not maintain a cash control ledger or any other record of the bank account balance in the accounting records or the checkbook register. A record of the bank account balance and monthly bank reconciliations are necessary to ensure the account is in agreement with the accounting records and to detect errors on a timely basis.

C. The court allows defendants to make partial payments on fines and court costs. Accounts receivable records are not adequately maintained and signed payment agreements are not required. Without adequate accounts receivable records, the court cannot effectively monitor and collect monies owed to the court.

D.1. A ledger of all bonds received and disbursed is not maintained. Bond monies are deposited into the court bank account. A bond ledger is necessary to ensure all bonds are recorded and accounted for properly.

2. Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

E. Police officers collect fines, court costs, and bonds, but are not bonded. Failure to properly bond all persons with access to assets exposes the court and the city to risk of loss.

F. The court has established a log of tickets issued; however, the log did not account for all traffic tickets assigned and issued, and their ultimate disposition. Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department and the municipal division cannot be assured all tickets are submitted to the court for processing.

During the audit, two tickets selected for review could not be located. Since the tickets and supporting documentation could not be reviewed, we could not determine the disposition of these tickets and whether they were properly reflected in the court's records. All municipal court records should be adequately retained in accordance with Supreme Court Administrative Rule 8.

G. Prior to September 1998, court dockets were not prepared for all cases heard before the Municipal Judge. Also the docket prepared by the current judge does not contain sufficient information on the disposition of all tickets. Section 479.070, RSMo 1994, requires the proceedings for every case be entered on a court docket. To ensure all cases have been accounted for, court dockets listing all cases and the disposition of those cases should be prepared and retained.

H. The court does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

I. The Court Clerk allows costs and fines collected to accumulate in the bank account, and remits lump sum amounts to the city periodically. The balance is the court bank account on December 31, 1998 was $7,926. Section 479.080, RSMo 1994, requires fines and costs collected be remitted to the city treasury monthly.

J. The Court Clerk did not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Section 302.225, RSMo Cumulative Supp. 1999, requires any plea or finding of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

Similar conditions were noted in the prior audit report of the city of Matthews Municipal Division for the two years ended December 31, 1992. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Matthews Municipal Division:

A. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips.

2. Indicate the method of payment on each receipt slip issued and reconcile the composition of receipt slips issued to the composition of bank deposits.

3. Maintain a cash control ledger showing receipts, disbursements and balances. The cash control balance should be reconciled to the bank balance monthly.

C. Maintain adequate accounts receivable records including signed payment agreements and a control ledger. Periodically the control ledger balance should be reconciled to the balances on the individual payment agreements.

D.1. Maintain a bond ledger to account for bond receipt and disbursements.

2. Prepare monthly listings of open items (liabilities) and reconcile these listings to the bank account balance.

E. Request the city obtain adequate bond coverage for all persons handling court monies.

F. Ensure the ticket log is complete and maintained up-to-date and retain all records as required by Supreme Court Rule 8.

G. Record all cases on the court docket.

H. Prepare and file monthly reports of court actions in accordance with state law.

I. Remit collections of fines and costs to the city treasury monthly as required by state law.

J. Forward records of convictions on traffic offenses to the MSHP as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. The Judge is currently looking at receipts each month and initialing them.

B.1. Prenumbered receipts are now being used.

B.2. The method of payment is also now being noted.

B.3. Bank reconciliations are now being done.

C. Currently when partial payments are made, the person signs and dates the agreement.

D.1. The bond ledger is set up to show the amount paid, name, and if refunded, the check number.

D.2. & F. These are now being done.

E. We need to check on bonding officers.

G, H,

& J. These will be done.

I. Money is now transferred to the general account monthly.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

HOLT COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-112
November 18, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

FACT SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Holt, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Holt County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As similarly reported in prior audit reports, the county has taken funds which are restricted for road and bridge purposes and used them for the county's general operating expenses. The audit again recommended the County Commission develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund.

- The county has two capital improvement sales taxes. Through the combined rates for these two sales taxes, the county is levying one percent which is apparently above the statutory maximum allowed by state law according to an opinion of the Missouri Attorney General. County officials believe they are correct in implementing both taxes based on the fact that voters have approved extensions of these sales taxes, and based on a circuit court case decision in St. Charles County.

Also included in the audit is a recommendation that the Public Administrator obtain more supporting documentation for attorney fees paid.

HOLT COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Holt County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Holt County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Holt County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*,

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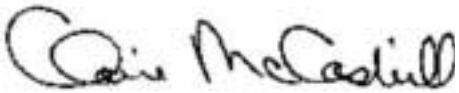
as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 18, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Holt County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Holt County, Missouri

We have audited the special-purpose financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Holt County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as finding numbers 98-1 and 98-2. We also noted an immaterial instance of noncompliance which is described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Holt County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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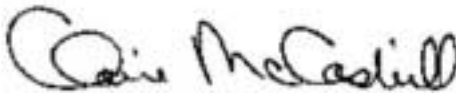
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Holt County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	81,651	886,189	882,429	85,411
Special Road and Bridge		224,597	1,004,624	1,117,624	111,597
Assessment		240	89,327	85,767	3,800
Law Enforcement Training		9,489	6,040	1,134	14,395
Prosecuting Attorney Training		3,037	1,206	961	3,282
Johnson Grass		6,838	19,441	16,925	9,354
9-1-1		58,578	78,453	50,070	86,961
Recorder's Special		12,958	2,989	551	15,396
Prosecuting Attorney Delinquent Tax		3,437	0	1,056	2,381
DARE Donation		0	821	585	236
Sheriff's Civil Fees		2,345	5,090	4,798	2,637
Prosecuting Attorney Bad Check		10	200	22	188
Victims of Domestic Violence		1,710	165	0	1,875
Debt Service		535	36,562	5,050	32,047
Capital Projects		32,329	277	32,606	0
Cemetery Trust		22,053	1,160	395	22,818
Law Library		257	718	753	222
Total	$	460,064	2,133,262	2,200,726	392,600

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	22,772	869,793	810,914	81,651
Special Road and Bridge		-109,040	1,344,506	1,010,869	224,597
Assessment		1,699	74,073	75,532	240
Law Enforcement Training		6,495	4,921	1,927	9,489
Prosecuting Attorney Training		2,666	1,938	1,567	3,037
Johnson Grass		11,813	18,664	23,639	6,838
9-1-1		19,102	95,697	56,221	58,578
Recorder's Special		13,021	3,258	3,321	12,958
Prosecuting Attorney Delinquent Tax		5,267	0	1,830	3,437
Sheriff's Civil Fees		0	2,345	0	2,345
Drug Enforcement		498	0	498	0
Prosecuting Attorney Bad Check		10	0	0	10
Victims of Domestic Violence		1,495	215	0	1,710
Debt Service		882	4,760	5,107	535
Capital Projects		32,554	1,325	1,550	32,329
Cemetery Trust		21,727	1,150	824	22,053
Law Library		270	1,026	1,039	257
Total	$	31,231	2,423,671	1,994,838	460,064

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 216,000	197,096	-18,904	189,980	191,654	1,674
Sales taxes	292,000	264,535	-27,465	280,000	289,699	9,699
Intergovernmental	134,956	178,622	43,666	136,659	186,717	50,058
Charges for services	172,900	184,296	11,396	169,038	158,084	-10,954
Interest	14,000	13,773	-227	12,500	16,330	3,830
Other	56,480	14,309	-42,171	61,893	13,751	-48,142
Transfers in	39,958	33,558	-6,400	33,558	13,558	-20,000
Total Receipts	926,294	886,189	#VALUE!	883,628	869,793	#VALUE!
DISBURSEMENTS						
County Commission	51,000	45,762	5,238	0	0	0
County Clerk	66,222	60,241	5,981	72,512	66,039	6,473
Elections	21,270	18,891	2,379	13,025	13,100	-75
Buildings and grounds	63,500	58,868	4,632	46,600	43,026	3,574
Employee fringe benefits	129,000	125,263	3,737	122,370	121,573	797
County Treasurer	17,430	17,168	262	17,400	17,120	280
County Collector	48,451	47,174	1,277	48,223	47,398	825
Ex Officio Recorder of Deeds	4,400	3,206	1,194	3,050	2,897	153
Associate Circuit Court	13,000	5,757	7,243	13,900	6,678	7,222
Court administration	10,900	120	10,780	10,900	570	10,330
Public Administrator	10,037	10,038	-1	9,045	10,052	-1,007
Sheriff	138,539	132,645	5,894	139,225	139,213	12
Jail	84,753	78,360	6,393	67,481	67,349	132
Prosecuting Attorney	51,403	48,226	3,177	50,403	47,464	2,939
Juvenile Officer	54,731	47,908	6,823	53,250	45,506	7,744
County Coroner	7,750	6,824	926	7,810	7,379	431
Insurance	25,000	15,254	9,746	19,000	24,162	-5,162
University extension service	21,490	21,490	0	24,000	24,000	0
Commissions and fees	32,000	30,057	1,943	30,000	12,753	17,247
Emergency management	2,500	2,459	41	8,989	5,174	3,815
Interest	2,500	398	2,102	1,200	2,129	-929
Computer	8,500	10,338	-1,838	0	0	0
LEPC grant	6,513	4,372	2,141	0	0	0
Prosecuting attorney retirement	4,500	4,500	0	4,500	4,500	0
Health Department	72,470	68,381	4,089	76,225	69,565	6,660
Public health and welfare services	3,050	2,654	396	3,106	2,292	814
Debt service	0	0	0	25,000	25,000	0
Other	5,135	5,075	60	7,610	975	6,635
Transfers out	11,500	11,000	500	6,000	5,000	1,000
Emergency Fund	27,440	0	27,440	25,315	0	25,315
Total Disbursements	994,984	882,429	112,555	906,139	810,914	95,225
RECEIPTS OVER (UNDER) DISBURSEMENTS	-68,690	3,760	#VALUE!	-22,511	58,879	#VALUE!
CASH, JANUARY 1	81,651	81,651	0	22,772	22,772	0
CASH, DECEMBER 31	$ 12,961	85,411	#VALUE!	261	81,651	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 274,300	247,267	-27,033	248,572	246,526	-2,046
Sales taxes	291,000	275,954	-15,046	267,000	289,498	22,498
Intergovernmental	510,328	461,432	-48,896	735,561	791,233	55,672
Charges for services	0	0	0	2,000	0	-2,000
Interest	7,800	17,140	9,340	13,000	8,089	-4,911
Other	8,500	2,831	-5,669	13,512	9,160	-4,352
Total Receipts	1,091,928	1,004,624	-87,304	1,279,645	1,344,506	64,861
DISBURSEMENTS						
Salaries	181,400	187,278	-5,878	233,000	227,411	5,589
Employee fringe benefits	71,700	75,534	-3,834	81,500	79,799	1,701
Supplies	49,000	55,834	-6,834	76,000	75,474	526
Insurance	13,000	10,720	2,280	13,000	11,743	1,257
Road and bridge materials	111,500	75,480	36,020	147,300	123,643	23,657
Equipment repairs	23,000	25,616	-2,616	23,000	21,354	1,646
Rentals	2,500	12,156	-9,656	2,500	2,092	408
Equipment purchases	331,187	307,961	23,226	77,714	77,714	0
Construction, repair, and maintenance	383,160	325,837	57,323	341,166	380,755	-39,589
Other	30,800	21,208	9,592	10,800	10,884	-84
Transfers out	26,400	20,000	6,400	20,000	0	20,000
Total Disbursements	1,223,647	1,117,624	106,023	1,025,980	1,010,869	15,111
RECEIPTS OVER (UNDER) DISBURSEMENTS	-131,719	-113,000	18,719	253,665	333,637	79,972
CASH, JANUARY 1	224,597	224,597	0	-109,040	-109,040	0
CASH, DECEMBER 31	$ 92,878	111,597	18,719	144,625	224,597	79,972

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 74,474	75,944	1,470	75,548	69,050	-6,498
Interest	0	840	840	0	0	0
Other	0	1,543	1,543	0	23	23
Transfers in	11,490	11,000	-490	5,000	5,000	0
Total Receipts	85,964	89,327	3,363	80,548	74,073	-6,475
DISBURSEMENTS						
Assessor	85,964	85,767	197	80,500	75,532	4,968
Total Disbursements	85,964	85,767	197	80,500	75,532	4,968
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,560	3,560	48	-1,459	-1,507
CASH, JANUARY 1	240	240	0	1,699	1,699	0
CASH, DECEMBER 31	$ 240	3,800	3,560	1,747	240	-1,507

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	859	859	0	58	58
Charges for services	4,500	4,819	319	4,500	4,424	-76
Interest	0	362	362	0	439	439
Total Receipts	4,500	6,040	1,540	4,500	4,921	421
DISBURSEMENTS						
Sheriff	3,500	1,134	2,366	10,995	1,927	9,068
Total Disbursements	3,500	1,134	2,366	10,995	1,927	9,068
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	4,906	3,906	-6,495	2,994	9,489
CASH, JANUARY 1	9,489	9,489	0	6,495	6,495	0
CASH, DECEMBER 31	$ 10,489	14,395	3,906	0	9,489	9,489

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,000	1,206	-1,794	2,400	1,938	-462
Total Receipts	3,000	1,206	-1,794	2,400	1,938	-462
DISBURSEMENTS						
Prosecuting Attorney	5,000	961	4,039	5,066	1,567	3,499
Total Disbursements	5,000	961	4,039	5,066	1,567	3,499
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,000	245	2,245	-2,666	371	3,037
CASH, JANUARY 1	3,037	3,037	0	2,666	2,666	0
CASH, DECEMBER 31	$ 1,037	3,282	2,245	0	3,037	3,037

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHNSON GRASS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 17,252	18,216	964	16,544	16,755	211
Intergovernmental	250	531	281	250	330	80
Interest	1,000	694	-306	1,400	1,536	136
Other	0	0	0	0	43	43
Total Receipts	18,502	19,441	939	18,194	18,664	470
DISBURSEMENTS						
Salaries	9,205	7,567	1,638	14,400	12,059	2,341
Office expenditures	4,000	4,000	0	4,000	4,000	0
Equipment and supplies	6,950	5,358	1,592	10,550	7,334	3,216
Mileage and training	150	0	150	300	246	54
Total Disbursements	20,305	16,925	3,380	29,250	23,639	5,611
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,803	2,516	4,319	-11,056	-4,975	6,081
CASH, JANUARY 1	6,838	6,838	0	11,813	11,813	0
CASH, DECEMBER 31	$ 5,035	9,354	4,319	757	6,838	6,081

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
9-1-1 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 73,000	71,716	-1,284	70,000	72,310	2,310
Interest	1,725	2,430	705	1,750	1,723	-27
Other	2,000	4,307	2,307	20,600	21,664	1,064
Total Receipts	76,725	78,453	1,728	92,350	95,697	3,347
DISBURSEMENTS						
Salaries	3,000	0	3,000	3,000	0	3,000
Office expenditures	16,350	16,156	194	8,650	8,226	424
Equipment	23,500	18,970	4,530	33,790	30,758	3,032
Mileage and training	5,000	0	5,000	3,000	1,652	1,348
Other	9,700	1,386	8,314	7,200	2,027	5,173
Transfers out	13,558	13,558	0	13,558	13,558	0
Total Disbursements	71,108	50,070	21,038	69,198	56,221	12,977
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,617	28,383	22,766	23,152	39,476	16,324
CASH, JANUARY 1	58,578	58,578	0	19,102	19,102	0
CASH, DECEMBER 31	$ 64,195	86,961	22,766	42,254	58,578	16,324

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S SPECIAL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,600	2,536	-64	3,200	2,600	-600
Interest	0	453	453	0	658	658
Total Receipts	2,600	2,989	389	3,200	3,258	58
DISBURSEMENTS						
Office expenditures	13,150	551	12,599	11,200	3,321	7,879
Total Disbursements	13,150	551	12,599	11,200	3,321	7,879
RECEIPTS OVER (UNDER) DISBURSEMENTS	-10,550	2,438	12,988	-8,000	-63	7,937
CASH, JANUARY 1	12,958	12,958	0	13,021	13,021	0
CASH, DECEMBER 31	$ 2,408	15,396	12,988	5,021	12,958	7,937

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Other	3,437	1,056	2,381	3,000	1,830	1,170
Total Disbursements	3,437	1,056	2,381	3,000	1,830	1,170
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,437	-1,056	2,381	-3,000	-1,830	1,170
CASH, JANUARY 1	3,437	3,437	0	5,267	5,267	0
CASH, DECEMBER 31	$ 0	2,381	2,381	2,267	3,437	1,170

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HOLT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DARE DONATION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	$ 1,500	821	-679
Total Receipts	1,500	821	-679
DISBURSEMENTS			
Other	1,500	585	915
Total Disbursements	1,500	585	915
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	236	236
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	236	236

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 4,000	5,090	1,090
Total Receipts	4,000	5,090	1,090
DISBURSEMENTS			
Office expenditures	6,000	4,798	1,202
Total Disbursements	6,000	4,798	1,202
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,000	292	2,292
CASH, JANUARY 1	2,345	2,345	0
CASH, DECEMBER 31	$ 345	2,637	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ENFORCEMENT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 0	0	0
Total Receipts	0	0	0
DISBURSEMENTS			
Other	498	498	0
Total Disbursements	498	498	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-498	-498	0
CASH, JANUARY 1	498	498	0
CASH, DECEMBER 31	$ 0	0	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official or the Johnson Grass Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff's Civil Fees Fund	1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Victims of Domestic Violence Fund	1998 and 1997
Debt Service Fund	1998 and 1997
Capital Projects Fund	1998 and 1997
Cemetery Trust Fund	1998 and 1997
Law Library Fund	1998 and 1997

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for

the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Sheriff's Civil Fees Fund	1997
Prosecuting Attorney Bad Check Fund	1997
Victims of Domestic Violence Fund	1998 and 1997
Debt Service Fund	1997
Capital Projects Fund	1997
Law Library Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Excessive Administrative Transfers

Through December 31, 1998, transfers from the Special Road and Bridge Fund to the General Revenue Fund were approximately $124,000 in excess of amounts authorized by law. The ultimate outcome of this situation cannot be determined.

4. Capital Improvement Sales Taxes

Since 1993, the county has imposed two one-half cent capital improvement sales taxes resulting in amounts being collected apparently in excess of those authorized by law. Attorney General's Opinion No. 97-99, 1999, to Neel has interpreted that in accordance with Section 67.700, RSMo,

the total levy for capital improvement sales taxes cannot exceed one-half cent. The ultimate outcome of this situation cannot be determined.

5. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $111,969 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $62,720. As of December 31, 1998, $27,872 remains to be paid.

Schedule

HOLT COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Special Road and Bridge Administrative Service Fee

Section 50.515, RSMo Cumulative Supp.1998, allows the county to impose an administrative service fee on the Special Road and Bridge Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for related administrative services to the fund, and shall not exceed three percent of the Special Road and Bridge Fund's budgeted expenditures. We noted the following concerns regarding the administrative service fee transfers:

A. During the year ended December 31, 1997, the county paid approximately $62,000 for the salaries of the County Commissioners, the partial salaries of three County Clerk's employees, and related fringe benefits from the Special Road and Bridge Fund. This amount exceeded three percent of budgeted expenditures by approximately $31,000. During the year ended December 31, 1998, the county paid approximately $11,000 for the partial salaries and fringe benefits of the County Commissioners and three of the County Clerk's employees from the Special Road and Bridge Fund and made direct administrative service fee transfers of $20,000 to the General Revenue Fund. Based on actual Special Road and Bridge Fund expenditures, the amounts paid from the Special Road and Bridge Fund and transferred to the General Revenue Fund were approximately $3,000 less than the allowable amount for 1998. The allowable amount of the transfer from the Special Road and Bridge Fund in 1998 was based on the actual expenditures of the fund since budgeted expenditures of the fund were significantly in excess of the actual expenditures. The excess transfers of $31,000 for 1997 combined with $3,000 less than allowable amount for 1998, result in a net excess transfer of $28,000 for the two years ended December 31, 1998.

   As noted in our prior report, approximately $96,000 was due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 1996 for excess administrative service fee transfers, the payment of County Commissioners' salaries and fringe benefits, and a portion of the salary and fringe benefits of a County Clerk's employee. This amount has not been repaid and, at December 31, 1998, remains due.

B. As noted in our prior report, the Special Road and Bridge Fund loaned monies to the General Revenue Fund and at December 31, 1998, $10,000 remains due.

As a result of these above conditions, approximately $134,000 is due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 1998. The County Commission has taken funds which are restricted to road and bridge purposes and inappropriately used them for the county's general operating expenses. This is contrary to state law and the Missouri Constitution.

WE AGAIN RECOMMEND the County Commission develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund. The County Commission should ensure future administrative transfers do not exceed three percent of actual expenditures.

AUDITEE'S RESPONSE

We concur and will develop a repayment plan.

98-2.	Capital Improvement Sales Tax

On April 5, 1994, the county passed a 10 year Road and Bridge Capital Improvement sales tax of one-half of one percent for the purpose of improving roads and bridges. This tax was to replace an existing Capital Improvement sales tax that was to expire in June of 1994. On April 7, 1998, the county passed another 10 year Road and Bridge Capital Improvement sales tax of one-half of one percent for the purpose of purchasing gravel to make capital improvements to non-state maintained gravel roads within the county. This sales tax was to replace another existing Road and Bridge Capital Improvement sales tax first passed in 1993 that was to expire in June of 1998. The county appears to have imposed both of these capital improvement sales taxes under Section 67.700, RSMo. Through the combined rates for both of these capital improvement sales taxes, the county is levying one percent which is apparently above the statutory maximum allowed by Section 67.700, RSMo. In addition, Attorney General's Opinion No. 97-99, 1999 to Neel states that total capital improvements sales tax rates can not exceed one-half of one percent.

The county needs to review the various capital improvement sales taxes being imposed to determine which are valid. The county may need to eliminate one of these taxes and reallocate the sales tax monies that are being collected.

WE RECOMMEND the County Commission review the overall capital improvement sales taxes being levied and ensure they are in accordance with applicable state statutes.

AUDITEE'S RESPONSE

The C.A.R.T. Rock Sales Tax approved by 67 percent of voters on April 7, 1998, was an extension of the C.A.R.T. Rock Sales Tax previously approved by the voters of Holt County, Missouri. The Road and Bridge Capital Improvement Tax passed on April 5, 1994, after the approval of 74 percent

of the voters, was also an extension of a previously approved sales tax. Thus both taxes have been approved by the voters of Holt County two times.

Section 67.700, RSMo, sets no limits on the number of sales taxes which were imposed thereunder. Further, the State Auditors ignore the fact that this matter has been previously litigated in the case of Davis-v-St. Charles County, wherein the court decided that more than one sales tax may be imposed under 67.700, RSMo. We believe that we are correct in implementing both the will of the voters and the law of the State of Missouri.

AUDITOR'S COMMENT

The fact that a similar matter was litigated in the case of Davis-v-St. Charles County was addressed in the cited Attorney General's opinion. The Attorney General's opinion disagreed with the referenced circuit court case.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOLT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Holt County, Missouri, on the applicable finding in our prior report issued for the two years ended December 31, 1996.

3. Special Road and Bridge Transfers

A. During the four years ended December 31, 1996, $96,000 in excess of the allowable three percent administrative fee was either paid or transferred from the Special Road and Bridge Fund.

B. At December 31, 1996, $10,000 remained due from the General Revenue Fund on a loan to the Special Road and Bridge Fund. In addition, no interest was paid to the Special Road and Bridge Fund.

Recommendation:

The County Commission develop a repayment plan for the amounts due from the General Revenue Fund to the Special Road and Bridge Fund. The County Commission should base total administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, the County Commission should authorize the County Treasurer to pay interest on monies loaned from the Special Road and Bridge Fund to the General Revenue Fund.

Status:

Not implemented. See MAR No. 98-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HOLT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT FINDINGS

We have audited the special-purpose financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our finding arising from our review of the elected county officials referred to above.

Public Administrator's Procedures

The Public Administrator acts as the court appointed personal representative for approximately 20 wards of the Probate Court. During our review of selected estates handled by the Public Administrator, we noted attorney fees of $12,687 for an attorney who did not file invoices to

support his requests for fees. As a result, we were unable to determine whether such payments were reasonable or necessary.

Section 473.543, RSMo Cumulative Supp. 1998, requires the public administrator to have supporting documentation for all disbursements. Invoices should be submitted that describe the services provided, the date they were performed, and the number of hours worked. Without such documentation, it is difficult to assess the reasonableness of costs charged to and paid by clients of the Public Administrator.

WE RECOMMEND the Public Administrator obtain supporting documentation for all disbursements made on behalf of clients.

AUDITEE'S RESPONSE

I will require attorneys to provide sufficient evidence to justify their fees.

This report is intended for the information of the management of Holt County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

HOLT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Holt County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. Finding number 3 is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices

   A. Budgets were not prepared for all county funds.

   B. Actual expenditures exceeded budgeted amounts for the Assessment Fund.

   C. The annual published financial statements of the county did not include the financial activity of some county funds as required.

   Recommendation:

   The County Commission:

   A. Ensure budgets are prepared or obtained for all county funds.

   B. Not authorize warrants in excess of budgeted expenditures.

   C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

   Status:

   A&C. Partially implemented. Current budgets and financial information included in the published financial statements did not include several small funds. Although not repeated in the current MAR, our recommendations remain as stated above.

   B. Implemented.

2. County Expenditures

   Bids were not always solicited or advertised nor was bid documentation always retained for various purchases.

   Recommendation:

   The County Commission solicit and advertise bids for purchases in accordance with state law. Documentation of these bids and justification for bid awards should be retained.

Status:

Implemented.

4. Computer Controls

A. User Identification Codes were not changed on a periodic basis to ensure confidentiality.

B. Computer usage logs were not printed and reviewed.

Recommendations:

The County Commission:

A. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.

B. Print and review computer usage logs to ensure access has been restricted to appropriate job assignments.

Status:

A. Partially implemented. The county uses a password system, however, the passwords are not changed periodically. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

5. General Fixed Asset Records and Procedures

A. Additions and deletions had not been consistently recorded in the general fixed asset records and were not reconciled to equipment expenditures to ensure all changes were reflected in the general fixed asset records.

B. Property records were not maintained in a manner that allowed beginning balances, additions, and deletions for each year to be reconciled to balances at the end of each year.

C. County asset items were not numbered, tagged or otherwise identified as county property.

D. An annual inventory of all general fixed assets and quarterly inspections of all lands and buildings was not conducted.

Recommendations:

The County Clerk:

A. Maintain general fixed asset records on a current basis to reflect all additions and deletions as they occur, and periodically reconcile additions of assets to expenditures for equipment to ensure additions are properly recorded.

B. Maintain general fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

C. Identify all general fixed asset items with an original cost of $250 or more with a number, tag, or similar device.

D. Perform an annual inventory of the county's personal property items and quarterly inspections of all county-owned land and buildings, and file a written report of the inspections made in accordance with Section 51.155, RSMo 1994. The results of the annual inventory should be compared to the fixed asset records and appropriate adjustments should be made as necessary.

Status:

Not implemented. Although not repeated in the current MAR, our recommendations remain as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HOLT COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Holt was named after David R. Holt, a member of the state legislature. Holt County is a county-organized, third-class county and is part of the Fourth Judicial Circuit. The county seat is Oregon.

Holt County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Holt County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 444,363	23	438,180	20
Sales taxes	540,489	29	579,197	26
Federal and state aid	640,054	34	977,950	44
Fees, interest, and other	265,907	14	218,972	10
Total	$ 1,890,813	100	2,214,299	100

The following chart shows how Holt County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 563,966	28	499,503	27
Public safety	318,463	16	311,411	17
Highways and roads	1,117,624	56	1,010,869	56
Total	$ 2,000,053	100	1,821,783	100

The county maintains approximately 167 county bridges and 502 miles of county roads.
::

The county's population was 6,654 in 1970 and 6,034 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 35.7	34.4	35.0	23.3	15.5
Personal property	14.2	11.8	8.9	9.0	4.3
Railroad and utilities	12.5	11.4	8.6	7.9	7.9
Total	$ 62.4	57.6	52.5	40.2	27.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Holt County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ 0.32	0.34
Special Road and Bridge Fund*	0.45	0.45
Johnson Grass Fund	0.05	0.03

* The county retains all tax proceeds from areas not within road districts. The county has four road districts that receive all tax collections from property within these districts. Even though the county is allowed to retain one-fifth in the Special Road and Bridge Fund, this is not being done. Two of the road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 18,419	17,707
General Revenue Fund	197,717	201,326
Special Road and Bridge Fund	260,082	249,812
Assessment Fund	32,308	31,922
Johnson Grass Fund	29,018	17,007
Debt Service Fund	3,155	3,222
Ambulance District	179,494	172,501
Fire Districts	124,328	120,990
Special Road Districts	26,856	26,169
Schools	1,992,777	2,018,058
Levee Districts	84,284	93,351
Drainage Districts	190,565	189,494
Cities	113,623	102,918
County Clerk	890	970
County Employees' Retirement	13,290	13,002
Advertising	191	168
Commissions and fees:		
General Revenue Fund	48,722	48,129
County Collector	6,075	5,682
Total	$ 3,321,794	3,312,428

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	91.4 %	92.0 %
Personal property	93.1	93.4
Railroad and utilities	93.4	100.0

Holt County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	50 %
Enhanced 9-1-1 System		0.0025	None	None
Capital improvements		0.005	2008	None
General		0.005	2005	None
Capital improvements		0.005	2005	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
John Killin, Presiding Commissioner	$		13,600	13,600
Wayne Hall, Associate Commissioner			13,600	13,600
Harold Eller, Associate Commissioner			13,600	13,600
Sue Kneale, County Clerk (1)			25,312	6,328
James R. Luce, County Clerk (2)				18,984
Dale Miller, Prosecuting Attorney			28,403	28,403
Terry Edwards, Sheriff			26,625	26,625
Anna Lou Doebbling, County Treasurer			15,900	15,900
Charles McComb, County Coroner			5,500	5,500
Ed Meng, Public Administrator *			33,284	16,401
Billy P. Sharp, County Collector**, year ended February 28,		31,821	31,370	
Margaret Salfrank, County Assessor***, Collector, year ended Augst 31,			30,860	
James Morris, County Assessor ***, year ended August 31,				27,800

(1) Was appointed by Governor on October 2, 1997
(2) Resigned effective October 1, 1997

* Includes fees received from probate cases.
** Includes $6,075 and $5,682, respectively, of commissions earned for collecting city, levee, and drainage district taxes.
*** Includes $900 annual compensation received from the state.
::

State-Paid Officials:		
Janice Radley, Circuit Clerk and Ex Officio Recorder of Deeds	42,183	40,176
William S. Richards, Associate Circuit Judge	85,158	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk and Ex Officio Recorder of Deeds	0	1
County Clerk	2	0
Prosecuting Attorney	1	0
Sheriff *	9	0
County Collector *	2	0
County Assessor	2	0
Associate Probate Division	0	2
Road and Bridge	9	0
Health Department *	3	0
Total	28	3

* Includes the part-time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Holt County's share of the Fourth Judicial Circuit's expenses is 13.56 percent.

At December 31, 1998, the county had bonds payable of $50,000 consisting of general obligation bonds dated February 1, 1994, issued in the original amount of $208,000 to finance improvements of the Neighborhood Improvement District's swimming pool located in Oregon, Missouri. Bond principal is due semiannually on February 1 and August 1 at rates from 3.3 to 5.5 percent.

The annual requirements to amortize all debt outstanding at December 31, 1998, are as follows:

::

Year Ended December 31		Principal	Interest	Total
1999	$	2,000	2,514	4,514
2000		2,000	2,430	4,430
2001		2,000	2,343	4,343
2002		2,000	2,254	4,254
2003		3,000	2,140	5,140
2004		3,000	2,000	5,000
2005		3,000	1,855	4,855
2006		3,000	1,706	4,706
2007		3,000	1,554	4,554
2008		3,000	1,398	4,398
2009		3,000	1,237	4,237
2010		4,000	1,045	5,045
2011		4,000	825	4,825
2012		4,000	605	4,605
2013		4,000	385	4,385
2014		5,000	137	5,137
	$	50,000	24,428	74,428

The Debt Service Fund at December 31, 1998 had $32,047 available to service the general obligation bonds.

* * * * *

PERRY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-111
November 17, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Perry, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Perry County was a financial and compliance audit of various county operating funds.

- The county did not prepare budgets for some funds. The audit recommended the County Clerk implement procedures to ensure budges are prepared for all funds, including those funds controlled by other county officials.

PERRY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Perry County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Perry County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Perry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Perry County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling $906,149 and $2,108,970 in receipts, and $1,025,489 and $1,510,705 in disbursements for the years ended December 31, 1998 and 1997, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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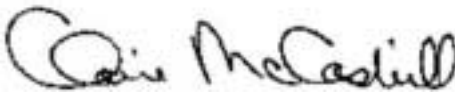
In our opinion, except for the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Perry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Perry County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 26, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

July 26, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Perry County, Missouri

We have audited the special-purpose financial statements of various funds of Perry County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 26, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Perry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Perry County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 98-1.

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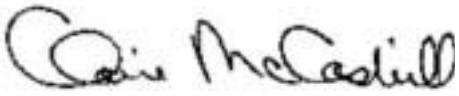
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness.

This report is intended for the information of the management of Perry County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 26, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	468,729	1,885,954	2,007,622	347,061
Special Road and Bridge		386,487	1,101,034	1,055,284	432,237
Assessment		6,280	159,335	148,610	17,005
Law Enforcement Training		2,827	5,516	5,126	3,217
Prosecuting Attorney Training		3,271	1,035	43	4,263
Health Center		190,979	624,991	644,340	171,630
Mental Health		25,647	174,928	132,967	67,608
Landfill/Transfer Station		39,334	790,196	844,162	-14,632
911 Emergency		167,015	167,379	216,530	117,864
Prosecuting Attorney Bad Check		14,758	14,571	11,751	17,578
Sheltered Workshop		74,309	175,679	146,730	103,258
Law Library		3,543	8,528	10,488	1,583
Recorders User Fees		13,804	11,358	11,015	14,147
Associate Circuit Division Interest		2,752	827	895	2,684
Circuit Division Interest		93	995	130	958
Sheriff's Reserve Fund		1,816	2,350	1,598	2,568
Commissary Fund		7,459	15,068	16,618	5,909
Sheriff's Civil Fees		8,180	22,302	2,674	27,808
Multi-Purpose Building		106,308	1,038	107,346	0
Local Park Sales Tax		441,545	823,694	717,750	547,489
Perry County Health Center Building		31,104	56,961	85,372	2,693
Nursing Home Bond/Debt Service		110,193	2,154	112,347	0
CDBG Buyout		23,725	0	0	23,725
FEMA 404 Buyout		3,787	0	0	3,787
Total	$	2,133,945	6,045,893	6,279,398	1,900,440

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	426,952	1,778,977	1,737,200	468,729
Special Road and Bridge		466,277	1,086,548	1,166,338	386,487
Assessment		5,050	148,151	146,921	6,280
Law Enforcement Training		3,293	4,429	4,895	2,827
Prosecuting Attorney Training		2,424	1,283	436	3,271
Health Center		653,388	651,870	1,114,279	190,979
Mental Health		353,850	172,498	500,701	25,647
Landfill/Transfer Station		14,390	408,000	383,056	39,334
911 Emergency		181,418	166,049	180,452	167,015
Prosecuting Attorney Bad Check		8,847	13,950	8,039	14,758
Sheltered Workshop		33,426	153,892	113,009	74,309
Law Library		163	9,504	6,124	3,543
Recorders User Fees		13,871	9,608	9,675	13,804
Associate Circuit Division Interest		2,328	814	390	2,752
Circuit Division Interest		53	1,371	1,331	93
Sheriff's Reserve Fund		920	2,700	1,804	1,816
Commissary Fund		3,547	13,832	9,920	7,459
Sheriff's Civil Fees		0	8,180	0	8,180
Multi-Purpose Building		0	508,855	402,547	106,308
Local Park Sales Tax		0	441,545	0	441,545
Perry County Health Center Building		0	1,030,336	999,232	31,104
Nursing Home Bond/Debt Service		113,561	68,275	71,643	110,193
CDBG Buyout		23,725	0	0	23,725
FEMA 404 Buyout		3,787	0	0	3,787
Total	$	2,311,270	6,680,667	6,857,992	2,133,945

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 270,600	277,006	6,406	268,000	249,186	-18,814
Sales taxes	850,000	799,670	-50,330	775,000	809,868	34,868
Intergovernmental	366,677	357,984	-8,693	413,881	347,753	-66,128
Charges for services	247,600	249,106	1,506	264,500	237,613	-26,887
Interest	15,000	36,360	21,360	14,000	30,358	16,358
Other	130,275	126,126	-4,149	136,625	104,199	-32,426
Transfers in	33,000	39,702	6,702	0	0	0
Total Receipts	1,913,152	1,885,954	-27,198	1,872,006	1,778,977	-93,029
DISBURSEMENTS						
County Commission	63,250	62,781	469	57,150	57,161	-11
County Clerk	71,946	69,398	2,548	73,724	62,628	11,096
Elections	43,300	36,583	6,717	30,000	7,344	22,656
Buildings and grounds	162,836	166,327	-3,491	120,952	133,275	-12,323
Employee fringe benefits	196,000	191,327	4,673	170,000	167,001	2,999
County Treasurer	23,710	22,929	781	22,700	22,245	455
County Collector	57,854	58,881	-1,027	56,180	54,741	1,439
Circuit Clerk	49,631	52,138	-2,507	48,088	46,886	1,202
Associate Circuit Court	5,650	5,942	-292	6,000	4,938	1,062
Court administration	40,160	24,583	15,577	42,258	34,828	7,430
Public Administrator	12,700	12,318	382	12,600	11,063	1,537
Sheriff	312,288	308,391	3,897	324,925	298,355	26,570
Jail	178,180	183,748	-5,568	179,445	170,177	9,268
Prosecuting Attorney	78,848	80,044	-1,196	70,884	72,972	-2,088
Juvenile Officer	113,202	113,202	0	102,149	102,149	0
County Coroner	8,000	19,164	-11,164	8,000	7,055	945
Dispatch operations	95,954	114,073	-18,119	108,168	112,296	-4,128
Debt service	38,962	38,962	0	38,962	38,962	0
Other	299,145	270,067	29,078	330,020	276,775	53,245
Transfers out	200,000	171,044	28,956	0	0	0
Emergency Fund	60,000	5,720	54,280	56,500	56,349	151
Total Disbursements	2,111,616	2,007,622	103,994	1,858,705	1,737,200	121,505
RECEIPTS OVER (UNDER) DISBURSEMENTS	-198,464	-121,668	76,796	13,301	41,777	28,476
CASH, JANUARY 1	468,729	468,729	0	426,952	426,952	0
CASH, DECEMBER 31	$ 270,265	347,061	76,796	440,253	468,729	28,476

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 443,500	471,820	28,320	431,000	431,815	815
Intergovernmental	533,000	541,690	8,690	489,000	538,568	49,568
Charges for services	50,000	40,094	-9,906	50,000	43,725	-6,275
Interest	30,000	31,893	1,893	26,000	32,321	6,321
Other	22,325	15,537	-6,788	6,325	40,119	33,794
Total Receipts	1,078,825	1,101,034	22,209	1,002,325	1,086,548	84,223
DISBURSEMENTS						
Salaries	281,000	267,929	13,071	279,000	261,634	17,366
Employee fringe benefits	84,500	75,799	8,701	74,300	68,321	5,979
Supplies	89,500	61,420	28,080	88,300	86,429	1,871
Insurance	12,600	12,665	-65	11,500	10,784	716
Road and bridge materials	34,000	35,093	-1,093	35,000	32,377	2,623
Equipment repairs	101,500	85,133	16,367	101,500	118,303	-16,803
Rentals	1,000	63	937	1,000	0	1,000
Equipment purchases	110,500	143,926	-33,426	64,000	45,488	18,512
Construction, repair, and maintenance	242,000	303,227	-61,227	408,000	434,047	-26,047
Debt service	0	0	0	42,000	41,280	720
Other	74,600	70,029	4,571	69,600	67,675	1,925
Transfers out	33,000	0	33,000	30,000	0	30,000
Total Disbursements	1,064,200	1,055,284	8,916	1,204,200	1,166,338	37,862
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,625	45,750	31,125	-201,875	-79,790	122,085
CASH, JANUARY 1	386,487	386,487	0	466,277	466,277	0
CASH, DECEMBER 31	$ 401,112	432,237	31,125	264,402	386,487	122,085

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 154,587	153,849	-738	146,924	143,157	-3,767
Interest	2,500	2,574	74	2,000	2,348	348
Other	2,000	2,912	912	2,925	2,646	-279
Total Receipts	159,087	159,335	248	151,849	148,151	-3,698
DISBURSEMENTS						
Assessor	159,087	148,610	10,477	151,849	146,921	4,928
Total Disbursements	159,087	148,610	10,477	151,849	146,921	4,928
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	10,725	10,725	0	1,230	1,230
CASH, JANUARY 1	6,280	6,280	0	5,025	5,050	25
CASH, DECEMBER 31	$ 6,280	17,005	10,725	5,025	6,280	1,255

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,600	2,053	453	0	1,619	1,619
Charges for services	2,700	3,294	594	4,000	2,701	-1,299
Interest	100	119	19	100	109	9
Other	0	50	50	0	0	0
Total Receipts	4,400	5,516	1,116	4,100	4,429	329
DISBURSEMENTS						
Sheriff	6,000	5,126	874	7,000	4,895	2,105
Total Disbursements	6,000	5,126	874	7,000	4,895	2,105
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,600	390	1,990	-2,900	-466	2,434
CASH, JANUARY 1	2,827	2,827	0	3,293	3,293	0
CASH, DECEMBER 31	$ 1,227	3,217	1,990	393	2,827	2,434

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,200	846	-354	1,200	1,118	-82
Interest	200	189	-11	240	165	-75
Total Receipts	1,400	1,035	-365	1,440	1,283	-157
DISBURSEMENTS						
Prosecuting Attorney	1,750	43	1,707	2,600	436	2,164
Total Disbursements	1,750	43	1,707	2,600	436	2,164
RECEIPTS OVER (UNDER) DISBURSEMENTS	-350	992	1,342	-1,160	847	2,007
CASH, JANUARY 1	3,271	3,271	0	2,424	2,424	0
CASH, DECEMBER 31	$ 2,921	4,263	1,342	1,264	3,271	2,007

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 304,000	310,506	6,506	280,000	291,012	11,012
Intergovernmental	277,000	266,182	-10,818	227,000	261,371	34,371
Charges for services	20,000	33,635	13,635	22,000	23,169	1,169
Interest	5,000	13,403	8,403	25,000	42,915	17,915
Other	100	1,265	1,165	0	33,403	33,403
Total Receipts	606,100	624,991	18,891	554,000	651,870	97,870
DISBURSEMENTS						
Salaries	380,000	369,848	10,152	326,000	334,480	-8,480
Office expenditures	14,500	18,448	-3,948	14,500	13,737	763
Equipment	28,300	21,564	6,736	37,500	20,339	17,161
Mileage and training	17,000	17,901	-901	17,000	16,833	167
Employee fringe benefits	75,500	77,937	-2,437	64,000	57,135	6,865
Building construction	20,000	17,163	2,837	558,000	587,261	-29,261
Other	94,800	100,471	-5,671	95,000	84,494	10,506
Transfers out	24,000	21,008	2,992	0	0	0
Total Disbursements	654,100	644,340	9,760	1,112,000	1,114,279	-2,279
RECEIPTS OVER (UNDER) DISBURSEMENTS	-48,000	-19,349	28,651	-558,000	-462,409	95,591
CASH, JANUARY 1	190,779	190,979	200	653,188	653,388	200
CASH, DECEMBER 31	$ 142,779	171,630	28,851	95,188	190,979	95,791

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MENTAL HEALTH FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 158,000	166,693	8,693	145,000	149,163	4,163
Intergovernmental	1,300	1,568	268	1,700	1,203	-497
Interest	1,000	6,121	5,121	10,000	21,567	11,567
Other	0	546	546	0	565	565
Total Receipts	160,300	174,928	14,628	156,700	172,498	15,798
DISBURSEMENTS						
Contract services	83,800	83,800	0	95,000	83,800	11,200
Office expenditures	26,500	15,635	10,865	28,300	18,906	9,394
Equipment	20,000	12,255	7,745	5,000	155	4,845
Building construction	0	0	0	395,000	394,878	122
Other	14,000	2,998	11,002	19,350	2,962	16,388
Transfers out	16,000	18,279	-2,279	0	0	0
Total Disbursements	160,300	132,967	27,333	542,650	500,701	41,949
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	41,961	41,961	-385,950	-328,203	57,747
CASH, JANUARY 1	25,647	25,647	0	353,850	353,850	0
CASH, DECEMBER 31	$ 25,647	67,608	41,961	-32,100	25,647	57,747

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LANDFILL/TRANSFER STATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	188,955	188,955	0	0	0
Charges for services	400,000	417,074	17,074	455,000	406,004	-48,996
Interest	1,300	1,714	414	1,500	1,618	118
Other	200	11,409	11,209	560	378	-182
Transfers in	0	171,044	171,044	0	0	0
Total Receipts	401,500	790,196	388,696	457,060	408,000	-49,060
DISBURSEMENTS						
Salaries	23,533	23,378	155	29,000	23,817	5,183
Office expenditures	4,155	2,744	1,411	2,175	2,271	-96
Equipment	13,665	12,844	821	7,315	8,647	-1,332
Employee fringe benefits	7,050	7,018	32	7,552	5,781	1,771
Methane migration buyout	421,000	420,319	681	0	0	0
Sanitation	377,582	376,359	1,223	409,580	341,040	68,540
Other	1,510	1,500	10	510	1,500	-990
Total Disbursements	848,495	844,162	4,333	456,132	383,056	73,076
RECEIPTS OVER (UNDER) DISBURSEMENTS	-446,995	-53,966	393,029	928	24,944	24,016
CASH, JANUARY 1	39,334	39,334	0	14,390	14,390	0
CASH, DECEMBER 31	$ -407,661	-14,632	393,029	15,318	39,334	24,016

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 EMERGENCY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 156,000	161,885	5,885	150,000	155,330	5,330
Interest	10,000	5,494	-4,506	7,000	10,719	3,719
Total Receipts	166,000	167,379	1,379	157,000	166,049	9,049
DISBURSEMENTS						
Salaries	38,673	27,513	11,160	25,680	26,121	-441
Office expenditures	5,900	7,279	-1,379	24,000	25,801	-1,801
Equipment	159,000	160,775	-1,775	214,000	112,336	101,664
Mileage and training	5,000	4,460	540	3,500	3,431	69
Employee fringe benefits	5,600	5,570	30	4,000	4,681	-681
Other	12,400	10,933	1,467	15,100	8,082	7,018
Total Disbursements	226,573	216,530	10,043	286,280	180,452	105,828
RECEIPTS OVER (UNDER) DISBURSEMENTS	-60,573	-49,151	11,422	-129,280	-14,403	114,877
CASH, JANUARY 1	167,015	167,015	0	181,418	181,418	0
CASH, DECEMBER 31	$ 106,442	117,864	11,422	52,138	167,015	114,877

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 12,000	13,891	1,891
Interest	400	502	102
Other	0	178	178
Total Receipts	12,400	14,571	2,171
DISBURSEMENTS			
Prosecuting Attorney	17,400	11,751	5,649
Total Disbursements	17,400	11,751	5,649
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,000	2,820	7,820
CASH, JANUARY 1	14,758	14,758	0
CASH, DECEMBER 31	$ 9,758	17,578	7,820

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

PERRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHELTERED WORKSHOP FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 158,000	166,632	8,632	150,000	149,094	-906
Intergovernmental	1,300	1,584	284	0	1,203	1,203
Interest	0	7,311	7,311	2,000	3,595	1,595
Other	0	152	152	0	0	0
Total Receipts	159,300	175,679	16,379	152,000	153,892	1,892
DISBURSEMENTS						
Building	0	4,400	-4,400	62,899	62,899	0
Contract services	156,000	142,232	13,768	87,250	50,000	37,250
Other	0	98	-98	10,000	110	9,890
Total Disbursements	156,000	146,730	9,270	160,149	113,009	47,140
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,300	28,949	25,649	-8,149	40,883	49,032
CASH, JANUARY 1	74,309	74,309	0	33,426	33,426	0
CASH, DECEMBER 31	$ 77,609	103,258	25,649	25,277	74,309	49,032

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 6,500	8,470	1,970
Interest	100	58	-42
Total Receipts	6,600	8,528	1,928
DISBURSEMENTS			
Publications	6,500	10,488	-3,988
Total Disbursements	6,500	10,488	-3,988
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	-1,960	-2,060
CASH, JANUARY 1	3,543	3,543	0
CASH, DECEMBER 31	$ 3,643	1,583	-2,060

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDERS USER FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 9,000	10,624	1,624
Interest	800	734	-66
Total Receipts	9,800	11,358	1,558
DISBURSEMENTS			
Ex Officio Recorder of Deeds	10,000	11,015	-1,015
Total Disbursements	10,000	11,015	-1,015
RECEIPTS OVER (UNDER) DISBURSEMENTS	-200	343	543
CASH, JANUARY 1	13,804	13,804	0
CASH, DECEMBER 31	$ 13,604	14,147	543

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 900	827	-73
Total Receipts	900	827	-73
DISBURSEMENTS			
Supplies and equipment	1,000	895	105
Total Disbursements	1,000	895	105
RECEIPTS OVER (UNDER) DISBURSEMENTS	-100	-68	32
CASH, JANUARY 1	2,752	2,752	0
CASH, DECEMBER 31	$ 2,652	2,684	32

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 1,400	995	-405
Total Receipts	1,400	995	-405
DISBURSEMENTS			
Supplies and equipment	1,200	130	1,070
Total Disbursements	1,200	130	1,070
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	865	665
CASH, JANUARY 1	93	93	0
CASH, DECEMBER 31	$ 293	958	665

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S RESERVE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	$ 2,700	2,350	-350
Total Receipts	2,700	2,350	-350
DISBURSEMENTS			
Sheriff	2,700	1,598	1,102
Total Disbursements	2,700	1,598	1,102
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	752	752
CASH, JANUARY 1	1,816	1,816	0
CASH, DECEMBER 31	$ 1,816	2,568	752

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

PERRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMISSARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 13,000	15,068	2,068
Total Receipts	13,000	15,068	2,068
DISBURSEMENTS			
Sheriff	13,000	16,618	-3,618
Total Disbursements	13,000	16,618	-3,618
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-1,550	-1,550
CASH, JANUARY 1	7,459	7,459	0
CASH, DECEMBER 31	$ 7,459	5,909	-1,550

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Perry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Sheltered Workshop Board, or the Mental Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff's Civil Fees	1998 and 1997
Multi-Purpose Building	1998 and 1997
Local Park Sales Tax	1998 and 1997
Perry County Health Center Building	1998 and 1997
Nursing Home Bond/Debt Service	1998 and 1997
Prosecuting Attorney Bad Check	1997
Law Library	1997
Recorders User Fees	1997
Associate Circuit Division Interest	1997
Circuit Division Interest	1997
Sheriff's Reserve	1997

Commissary	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998
Recorders User Fees Fund	1998
Commissary Fund	1998
Health Center Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the Landfill/Transfer Station Fund for the year ended December 31, 1998.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The financial statements for the years ended December 31, 1998 and 1997 included all funds as required.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.
Of the county's bank balance at December 31, 1998, $1,274,478 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $7,402,730 was covered by collateral pledged by one bank and held in the county's name by the trust department of an affiliate of the same bank holding company.

Of the county's bank balance at December 31, 1997, $1,683,635 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $6,894,763 was covered by collateral pledged by one bank and held in the county's name by the trust department of an affiliate of the same bank holding company.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

The Sheltered Workshop Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $159,461 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $84,210. As of December 31, 1998, $31,578 remains to be paid.

Schedule

PERRY COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Budgetary Procedures

Formal budgets were not prepared for the following funds:

Fund	Expenditures, Year Ended December 31, 1998	1997
Prosecuting Attorney Bad Check	$ N/A	8,039
Law Library	N/A	6,124
Recorders User Fees	N/A	9,675
Associate Circuit Division Interest	N/A	390
Circuit Division Interest	N/A	1,331
Sheriff's Reserve	N/A	1,804
Commissary	N/A	9,920
Sheriff's Civil Fees	2,674	N/A
Multi-Purpose Building	107,346	402,547
Local Park Sales Tax	717,750	N/A
Perry County Health Center Building	85,372	999,232
Nursing Home Bond/Debt Service	112,347	71,643
Total	$ 1,025,489	1,510,705

Chapter 50, RSMo 1994, requires the preparation and filing of annual budgets for all county funds to present a complete financial plan for the ensuing year. Expenditures from funds not budgeted represented 16 percent and 22 percent of total expenditures for the years ended December 31, 1998 and 1997, respectively.

By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more efficiently evaluate all county financial resources.

According to Section 50.530, RSMo 1994, the County Clerk is the budget officer. The County Clerk needs to implement procedures to ensure all funds are budgeted. These procedures need to include requesting and obtaining budgets for funds controlled by other county officials.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the County Clerk implement procedures to ensure budgets are

prepared for all funds, including those funds controlled by other county officials.

AUDITEE'S RESPONSE

The first seven funds that are listed are all budgeted by other officeholders. The audit report that was issued in September of 1997, for the year ending 12-31-96, listed these funds for the first time. The County Clerk did include those funds in the 1998 budget and has continued in 1999. The Sheriff's Civil Fee Fund was new in mid year of 1998 and a budget was prepared for the fund in 1999. The Multi-Purpose Building Fund and the Local Park Sales Tax Fund are a part of the Perry Park Center that was opened in 1999. A budget was prepared in 1999 for these funds and prior to 1999 the monies were controlled by a not for profit board of directors that included the presiding commissioner of Perry County. The Perry County Health Center Building Fund was created for the construction phase of the building and was included in the budgets of the health center and mental health center. These budgets are controlled by their respective board of trustees. The Nursing Home Debt Service Fund was closed in 1998 when the bonds were paid off. As County Clerk and Budget Officer of Perry County I have and will continue to make the effort to prepare formal budgets for all funds.

Follow-up on Prior Audit Findings

PERRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Perry County, Missouri, on a certain finding in our prior audit report issued for the three years ended December 31, 1996. The finding is the one that *Government Auditing Standards* requires to be reported for an audit of financial statements.

1. Budgetary Practices

Formal budgets were not prepared for various county funds.

Recommendation:

The County Commission require the County Clerk to prepare or obtain budgets for all county funds and file them with the State Auditor's office as required by state law.

Status:

Partially implemented. Although the county began preparing budgets for the funds indicated in the prior report, several new funds were established in 1997 and 1998 that did not have a budget. See Schedule of Findings No. 98-1.

AUDIT REPORT

STE. GENEVIEVE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-110
November 16, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ste. Genevieve, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Ste. Genevieve County was a financial and compliance audit of various county operating funds.

The audit includes other matters upon which the county should consider and take appropriate corrective action.

STE. GENEVIEVE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Ste. Genevieve County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ste. Genevieve County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ste. Genevieve County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ste. Genevieve County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Ste. Genevieve County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*,

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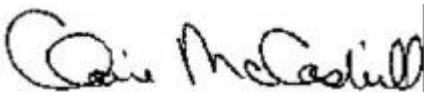
as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 22, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

July 22, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ste. Genevieve County, Missouri

We have audited the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

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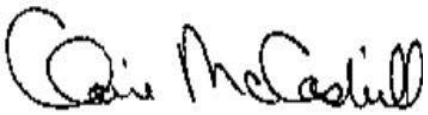
performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Ste. Genevieve County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 22, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

STE GENEVIEVE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	767,924	3,073,261	3,056,766	784,419
Special Road and Bridge		1,249,778	1,084,155	1,074,716	1,259,217
Assessment		52,786	195,550	183,018	65,318
Law Enforcement Training		1,137	9,372	1,240	9,269
Prosecuting Attorney Training		1,528	1,437	832	2,133
Prosecuting Attorney Delinquent Tax		2,674	960	1,384	2,250
Recorder's User Fees		20,933	11,278	4,500	27,711
Victims of Domestic Violence		1,072	2,310	2,121	1,261
Law Enforcement Probation		36,259	25,813	23,700	38,372
Prosecuting Attorney Bad Check		11,716	6,681	3,679	14,718
Criminal Activity Forfeiture Act		3,499	134	1,013	2,620
9-1-1		186,885	370,678	426,777	130,786
Capital Improvement Sales Tax		1,351,244	296,390	144,614	1,503,020
Health Center		250,757	398,249	317,628	331,378
Community Mental Health		260,840	223,253	215,706	268,387
Senate Bill 40		26,211	144,169	149,420	20,960
Senior Citizens Service		65,919	75,049	95,887	45,081
Law Library		2,868	3,480	2,940	3,408
Sheriff's Fees		8,295	16,556	5,131	19,720
Community Center Construction		0	2,058,165	1,456,679	601,486
Local Law Enforcement Block Grant		13,703	2,013	15,716	0
Circuit Clerk Interest		3,976	1,702	3,600	2,078
Associate Circuit Division Interest		2,893	636	389	3,140
Community Center Operation		0	2,000	453	1,547
Total	$	4,322,897	8,003,291	7,187,909	5,138,279

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

STE GENEVIEVE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	555,996	2,939,321	2,727,393	767,924
Special Road and Bridge		1,062,335	972,385	784,942	1,249,778
Assessment		37,190	175,968	160,372	52,786
Law Enforcement Training		3,360	3,984	6,207	1,137
Prosecuting Attorney Training		1,214	1,774	1,460	1,528
Prosecuting Attorney Delinquent Tax		1,389	1,982	697	2,674
Recorder's User Fees		12,965	10,286	2,318	20,933
Victims of Domestic Violence		1,413	2,284	2,625	1,072
Law Enforcement Probation		50,472	23,135	37,348	36,259
Prosecuting Attorney Bad Check		6,305	8,166	2,755	11,716
Criminal Activity Forfeiture Act		1,485	2,308	294	3,499
9-1-1		173,844	354,136	341,095	186,885
Capital Improvement Sales Tax		867,131	625,866	141,753	1,351,244
Health Center		187,496	356,805	293,544	250,757
Community Mental Health		426,441	210,481	376,082	260,840
Senate Bill 40		45,629	132,047	151,465	26,211
Senior Citizens Service		73,619	83,064	90,764	65,919
Law Library		1,594	3,957	2,683	2,868
Sheriff's Fees		0	8,295	0	8,295
Local Law Enforcement Block Grant		0	13,703	0	13,703
Circuit Clerk Interest		3,457	984	465	3,976
Associate Circuit Division Interest		1,590	1,728	425	2,893
Total	$	3,514,925	5,932,659	5,124,687	4,322,897

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 316,000	368,589	52,589	307,125	302,231	-4,894
Sales taxes	580,000	614,195	34,195	580,000	571,995	-8,005
Intergovernmental	1,217,836	1,458,574	240,738	1,214,320	1,590,013	375,693
Charges for services	283,165	289,374	6,209	269,016	277,576	8,560
Interest	48,000	60,363	12,363	45,000	48,113	3,113
Other	109,519	174,389	64,870	113,785	126,531	12,746
Transfers in	112,475	107,777	-4,698	25,000	22,862	-2,138
Total Receipts	2,666,995	3,073,261	#VALUE!	2,554,246	2,939,321	#VALUE!
DISBURSEMENTS						
County Commission	89,172	87,246	1,926	78,557	75,507	3,050
County Clerk	96,401	93,304	3,097	97,781	97,708	73
Elections	30,000	31,404	-1,404	7,000	6,745	255
Buildings and grounds	75,257	67,146	8,111	78,130	66,647	11,483
County Treasurer	40,897	39,423	1,474	37,827	36,103	1,724
County Collector	89,741	86,864	2,877	89,552	69,776	19,776
Ex Officio Recorder of Deeds	94,291	82,822	11,469	100,193	74,363	25,830
Circuit Clerk	12,508	6,512	5,996	11,834	6,996	4,838
Associate Circuit Court	9,110	6,726	2,384	8,350	7,776	574
Associate Circuit (Probate)	882	0	882	882	881	1
Court administration	15,419	5,139	10,280	15,419	7,474	7,945
Public Administrator	16,933	16,698	235	10,889	10,376	513
Sheriff	584,166	539,465	44,701	433,590	476,372	-42,782
Jail	1,392,514	1,341,786	50,728	1,339,126	1,268,785	70,341
Prosecuting Attorney	87,369	85,849	1,520	83,063	80,693	2,370
Juvenile Officer	104,148	102,006	2,142	90,986	93,168	-2,182
County Coroner	26,097	23,040	3,057	20,272	22,256	-1,984
Dispatch	114,330	102,793	11,537	103,257	96,595	6,662
Other	345,559	280,515	65,044	217,331	215,625	1,706
Transfers out	0	1,519	-1,519	0	0	0
Emergency Fund	88,900	56,509	32,391	76,627	13,547	63,080
Total Disbursements	3,313,694	3,056,766	256,928	2,900,666	2,727,393	173,273
RECEIPTS OVER (UNDER) DISBURSEMENTS	-646,699	16,495	#VALUE!	-346,420	211,928	#VALUE!
CASH, JANUARY 1	767,924	767,924	0	555,996	555,996	0
CASH, DECEMBER 31	$ 121,225	784,419	#VALUE!	209,576	767,924	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 270,600	290,579	19,979	243,400	263,586	20,186
Intergovernmental	631,933	643,139	11,206	531,000	618,986	87,986
Interest	60,000	82,043	22,043	55,000	64,659	9,659
Other	20,000	68,394	48,394	36,600	25,154	-11,446
Total Receipts	982,533	1,084,155	101,622	866,000	972,385	106,385
DISBURSEMENTS						
Salaries	264,471	243,195	21,276	214,760	214,760	0
Employee fringe benefits	43,663	39,780	3,883	37,150	34,932	2,218
Supplies	369,500	264,369	105,131	212,000	283,136	-71,136
Insurance	25,000	11,497	13,503	40,000	21,746	18,254
Equipment repairs	40,000	33,728	6,272	40,000	16,396	23,604
Rentals	2,000	0	2,000	0	2,322	-2,322
Equipment purchases	375,000	175,772	199,228	280,000	104,720	175,280
Construction, repair, and maintenance	370,000	217,517	152,483	320,000	21,560	298,440
Other	120,150	57,556	62,594	128,000	62,508	65,492
Transfers out	48,274	31,302	16,972	38,112	22,862	15,250
Total Disbursements	1,658,058	1,074,716	583,342	1,310,022	784,942	525,080
RECEIPTS OVER (UNDER) DISBURSEMENTS	-675,525	9,439	684,964	-444,022	187,443	631,465
CASH, JANUARY 1	1,249,778	1,249,778	0	1,062,335	1,062,335	0
CASH, DECEMBER 31	$ 574,253	1,259,217	684,964	618,313	1,249,778	631,465

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 187,556	185,959	-1,597	172,522	166,922	-5,600
Interest	3,800	5,064	1,264	2,400	3,830	1,430
Other	3,500	4,527	1,027	3,000	5,216	2,216
Total Receipts	194,856	195,550	694	177,922	175,968	-1,954
DISBURSEMENTS						
Assessor	198,111	183,018	15,093	179,844	160,372	19,472
Total Disbursements	198,111	183,018	15,093	179,844	160,372	19,472
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,255	12,532	15,787	-1,922	15,596	17,518
CASH, JANUARY 1	52,786	52,786	0	37,190	37,190	0
CASH, DECEMBER 31	$ 49,531	65,318	15,787	35,268	52,786	17,518

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,800	5,382	1,582	3,200	3,812	612
Intergovernmental	0	3,765	3,765	0	44	44
Interest	100	214	114	200	128	-72
Other	0	11	11	0	0	0
Total Receipts	3,900	9,372	5,472	3,400	3,984	584
DISBURSEMENTS						
Sheriff	5,037	1,240	3,797	6,700	6,207	493
Total Disbursements	5,037	1,240	3,797	6,700	6,207	493
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,137	8,132	9,269	-3,300	-2,223	1,077
CASH, JANUARY 1	1,137	1,137	0	3,360	3,360	0
CASH, DECEMBER 31	$ 0	9,269	9,269	60	1,137	1,077

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,646	1,346	-300	2,000	1,612	-388
Interest	0	91	91	65	95	30
Other	0	0	0	0	67	67
Total Receipts	1,646	1,437	-209	2,065	1,774	-291
DISBURSEMENTS						
Prosecuting Attorney	2,250	832	1,418	2,250	1,460	790
Total Disbursements	2,250	832	1,418	2,250	1,460	790
RECEIPTS OVER (UNDER) DISBURSEMENTS	-604	605	1,209	-185	314	499
CASH, JANUARY 1	1,528	1,528	0	1,214	1,214	0
CASH, DECEMBER 31	$ 924	2,133	1,209	1,029	1,528	499

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,500	847	-653	1,000	1,776	776
Interest	200	113	-87	125	206	81
Total Receipts	1,700	960	-740	1,125	1,982	857
DISBURSEMENTS						
Office expenditures	2,500	1,384	1,116	500	504	-4
Mileage and training	500	0	500	200	193	7
Other	1,200	0	1,200	100	0	100
Total Disbursements	4,200	1,384	2,816	800	697	103
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,500	-424	2,076	325	1,285	960
CASH, JANUARY 1	2,674	2,674	0	1,389	1,389	0
CASH, DECEMBER 31	$ 174	2,250	2,076	1,714	2,674	960

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,000	10,098	98	9,100	8,758	-342
Interest	0	1,180	1,180	0	869	869
Other	0	0	0	0	659	659
Total Receipts	10,000	11,278	1,278	9,100	10,286	1,186
DISBURSEMENTS						
Equipment	20,000	4,500	15,500	20,000	2,318	17,682
Total Disbursements	20,000	4,500	15,500	20,000	2,318	17,682
RECEIPTS OVER (UNDER) DISBURSEMENTS	-10,000	6,778	16,778	-10,900	7,968	18,868
CASH, JANUARY 1	20,933	20,933	0	12,965	12,965	0
CASH, DECEMBER 31	$ 10,933	27,711	16,778	2,065	20,933	18,868

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VICTIMS OF DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,300	2,265	-35	2,500	2,135	-365
Interest	130	45	-85	100	149	49
Total Receipts	2,430	2,310	-120	2,600	2,284	-316
DISBURSEMENTS						
Health and welfare	3,501	2,121	1,380	2,600	2,625	-25
Total Disbursements	3,501	2,121	1,380	2,600	2,625	-25
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,071	189	1,260	0	-341	-341
CASH, January 1	1,072	1,072	0	1,413	1,413	0
CASH, December 31	$ 1	1,261	1,260	1,413	1,072	-341

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT PROBATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 24,000	23,478	-522	10,000	20,168	10,168
Interest	4,000	2,335	-1,665	3,000	2,672	-328
Other	300	0	-300	0	295	295
Total Receipts	28,300	25,813	-2,487	13,000	23,135	10,135
DISBURSEMENTS						
Salaries	2,153	2,155	-2	2,153	570	1,583
Office expenditures	13,900	8,921	4,979	10,000	11,425	-1,425
Equipment	9,850	7,718	2,132	11,500	8,943	2,557
Mileage and training	23,000	4,329	18,671	13,500	2,702	10,798
Other	15,100	577	14,523	15,000	13,708	1,292
Total Disbursements	64,003	23,700	40,303	52,153	37,348	14,805
RECEIPTS OVER (UNDER) DISBURSEMENTS	-35,703	2,113	37,816	-39,153	-14,213	24,940
CASH, January 1	36,259	36,259	0	50,472	50,472	0
CASH, December 31	$ 556	38,372	37,816	11,319	36,259	24,940

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 7,500	6,022	-1,478	5,000	7,743	2,743
Interest	400	659	259	250	423	173
Total Receipts	7,900	6,681	-1,219	5,250	8,166	2,916
DISBURSEMENTS						
Salaries	500	0	500	120	0	120
Office expenditures	6,200	3,610	2,590	2,400	2,755	-355
Mileage and training	500	69	431	250	0	250
Total Disbursements	7,200	3,679	3,521	2,770	2,755	15
RECEIPTS OVER (UNDER) DISBURSEMENTS	700	3,002	2,302	2,480	5,411	2,931
CASH, JANUARY 1	11,716	11,716	0	6,305	6,305	0
CASH, DECEMBER 31	$ 12,416	14,718	2,302	8,785	11,716	2,931

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIMINAL ACTIVITY FORFEITURE ACT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	0	2,235	2,235
Interest	100	134	34	0	73	73
Total Receipts	100	134	34	0	2,308	2,308
DISBURSEMENTS						
Equipment	1,299	13	1,286	0	294	-294
Mileage and training	0	0	0	300	0	300
Other	2,300	1,000	1,300	685	0	685
Total Disbursements	3,599	1,013	2,586	985	294	691
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,499	-879	2,620	-985	2,014	2,999
CASH, JANUARY 1	3,499	3,499	0	1,485	1,485	0
CASH, DECEMBER 31	$ 0	2,620	2,620	500	3,499	2,999

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
9-1-1 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 252,119	231,741	-20,378	202,600	223,951	21,351
9-1-1 phone tax	122,000	127,644	5,644	120,500	122,859	2,359
Interest	7,000	11,293	4,293	8,000	7,326	-674
Total Receipts	381,119	370,678	-10,441	331,100	354,136	23,036
DISBURSEMENTS						
Salaries	245,640	227,918	17,722	236,449	224,714	11,735
Office expenditures	12,663	18,345	-5,682	16,202	8,725	7,477
Equipment	41,750	41,196	554	72,012	85,995	-13,983
Mileage and training	2,500	936	1,564	9,000	1,952	7,048
Other	5,683	29,614	-23,931	10,438	19,709	-9,271
Transfer out	120,975	108,768	12,207	0	0	0
Total Disbursements	429,211	426,777	2,434	344,101	341,095	3,006
RECEIPTS OVER (UNDER) DISBURSEMENTS	-48,092	-56,099	-8,007	-13,001	13,041	26,042
CASH, JANUARY 1	186,885	186,885	0	173,844	173,844	0
CASH, DECEMBER 31	$ 138,793	130,786	-8,007	160,843	186,885	26,042

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

STE GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 80,000	107,593	27,593	580,000	571,968	-8,032
Interest	50,000	80,029	30,029	40,000	53,349	13,349
Other	0	0	0	0	549	549
Transfers in	0	108,768	108,768	0	0	0
Total Receipts	130,000	296,390	166,390	620,000	625,866	5,866
DISBURSEMENTS						
Salaries	10,805	10,805	0	10,027	10,027	0
Supplies	15,000	11,961	3,039	20,000	12,254	7,746
Equipment	8,100	5,684	2,416	17,630	0	17,630
Payback of local use tax	108,768	108,768	0	0	0	0
Construction	0	0	0	95,000	101,400	-6,400
Other	7,500	7,396	104	53,500	18,072	35,428
Total Disbursements	150,173	144,614	5,559	196,157	141,753	54,404
RECEIPTS OVER (UNDER) DISBURSEMENTS	-20,173	151,776	171,949	423,843	484,113	60,270
CASH, JANUARY 1	1,351,244	1,351,244	0	867,131	867,131	0
CASH, DECEMBER 31	$ 1,331,071	1,503,020	171,949	1,290,974	1,351,244	60,270

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

STE. GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 200,657	203,387	2,730	185,945	184,533	-1,412
Intergovernmental	140,546	145,442	4,896	133,877	137,135	3,258
Charges for services	18,960	19,276	316	11,500	11,234	-266
Interest	18,500	18,393	-107	12,000	12,605	605
Other	4,620	4,817	197	4,000	4,383	383
Transfer in	6,934	6,934	0	6,915	6,915	0
Total Receipts	390,217	398,249	8,032	354,237	356,805	2,568
DISBURSEMENTS						
Salaries	237,772	233,694	4,078	215,130	210,273	4,857
Office expenditures	48,868	52,175	-3,307	50,744	50,201	543
Equipment	8,600	6,629	1,971	8,600	5,736	2,864
Mileage and training	7,930	7,508	422	4,069	3,583	486
Other	19,996	17,622	2,374	25,072	23,751	1,321
Total Disbursements	323,166	317,628	5,538	303,615	293,544	10,071
RECEIPTS OVER (UNDER) DISBURSEMENTS	67,051	80,621	13,570	50,622	63,261	12,639
CASH, January 1	250,757	250,757	0	187,496	187,496	0
CASH, December 31	$ 317,808	331,378	13,570	238,118	250,757	12,639

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

STE. GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY MENTAL HEALTH FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 197,000	202,579	5,579	186,950	183,661	-3,289
Interest	20,000	16,394	-3,606	21,000	25,934	4,934
Other	1,000	4,280	3,280	2,000	886	-1,114
Total Receipts	218,000	223,253	5,253	209,950	210,481	531
DISBURSEMENTS						
Contract services	95,000	80,000	15,000	95,000	80,000	15,000
Office expenditures	7,500	2,711	4,789	3,000	964	2,036
Equipment	5,000	10,241	-5,241	3,000	910	2,090
Building purchase and renovation	110,000	98,460	11,540	327,099	266,251	60,848
Other	21,600	24,294	-2,694	26,050	27,957	-1,907
Total Disbursements	239,100	215,706	23,394	454,149	376,082	78,067
RECEIPTS OVER (UNDER) DISBURSEMENTS	-21,100	7,547	28,647	-244,199	-165,601	78,598
CASH, JANUARY 1	260,840	260,840	0	426,441	426,441	0
CASH, DECEMBER 31	$ 239,740	268,387	28,647	182,242	260,840	78,598

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

STE. GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 140,314	143,270	2,956	120,000	130,064	10,064
Interest	2,368	899	-1,469	2,000	1,983	-17
Total Receipts	142,682	144,169	1,487	122,000	132,047	10,047
DISBURSEMENTS						
Contract services	150,060	147,342	2,718	151,165	149,765	1,400
Other	18,833	2,078	16,755	2,600	1,700	900
Total Disbursements	168,893	149,420	19,473	153,765	151,465	2,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	-26,211	-5,251	20,960	-31,765	-19,418	12,347
CASH, JANUARY 1	26,211	26,211	0	45,629	45,629	0
CASH, DECEMBER 31	$ 0	20,960	20,960	13,864	26,211	12,347

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

STE. GENEVIEVE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZENS SERVICE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 56,207	63,890	7,683	67,594	71,248	3,654
Intergovernmental	8,250	7,182	-1,068	8,056	7,799	-257
Interest	3,500	3,977	477	4,046	4,017	-29
Total Receipts	67,957	75,049	7,092	79,696	83,064	3,368
DISBURSEMENTS						
Office expenditures	150	58	92	86	22	64
Contract services	90,006	88,896	1,110	83,827	83,827	0
Other	10,000	0	10,000	5,000	0	5,000
Transfers out	6,933	6,933	0	6,915	6,915	0
Total Disbursements	107,089	95,887	11,202	95,828	90,764	5,064
RECEIPTS OVER (UNDER) DISBURSEMENTS	-39,132	-20,838	18,294	-16,132	-7,700	8,432
CASH, January 1	65,919	65,919	0	73,619	73,619	0
CASH, December 31	$ 26,787	45,081	18,294	57,487	65,919	8,432

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

STE GENEVIEVE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	3,500	3,480	-20
Total Receipts		3,500	3,480	-20
DISBURSEMENTS				
Office expenditures		2,820	2,940	-120
Total Disbursements		2,820	2,940	-120
RECEIPTS OVER (UNDER) DISBURSEMENTS		680	540	-140
CASH, JANUARY 1		2,868	2,868	0
CASH, DECEMBER 31	$	3,548	3,408	-140

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

STE GENEVIEVE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 16,000	15,854	-146
Interest	170	702	532
Total Receipts	16,170	16,556	386
DISBURSEMENTS			
Office expenditures	6,500	1,081	5,419
Equipment	7,600	4,050	3,550
Other	10,000	0	10,000
Total Disbursements	24,100	5,131	18,969
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,930	11,425	19,355
CASH, JANUARY 1	8,295	8,295	0
CASH, DECEMBER 31	$ 365	19,720	19,355

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

STE GENEVIEVE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY CENTER CONSTRUCTION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	$ 500,000	506,956	6,956
Bond proceeds	7,365,000	1,444,953	-5,920,047
Interest	209,338	9,297	-200,041
Other	0	96,959	96,959
Total Receipts	8,074,338	2,058,165	-6,016,173
DISBURSEMENTS			
Bond expenses	783,896	251,704	532,192
Construction costs	5,931,667	1,116,774	4,814,893
Contingencies	239,900	0	239,900
Bond debt service	437,062	0	437,062
Other	0	11,726	-11,726
Transfers out	76,475	76,475	0
Total Disbursements	7,469,000	1,456,679	6,012,321
RECEIPTS OVER (UNDER) DISBURSEMENTS	605,338	601,486	-3,852
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 605,338	601,486	-3,852

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ste. Genevieve County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Community Mental Health Board, Senate Bill 40 Board, Senior Citizens Service Board, or the Community Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Library Fund	1997
Community Center Operation Fund	1998
Local Law Enforcement Block Grant Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998
Victims of Domestic Violence	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Health Center Fund, Senate Bill 40 Fund, Local Law Enforcement Block Grant Fund, Circuit Clerk Interest Fund, and Associate Circuit Division Interest Fund. The Law Library Fund and Community Center Operation Fund were not included in the county's published financial statements for the year ended December 31, 1998.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Schedule

STE. GENEVIEVE COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings

STE. GENEVIEVE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1996 included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

SECTION ON OTHER MATTERS

STE. GENEVIEVE COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 22, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Ste. Genevieve County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. County Budgetary Procedures and Financial Statements

   Formal budgets were not prepared for some county funds for the years ended December 31, 1998 and 1997. Warrants issued were in excess of budgeted amounts by small amounts for the Law Library Fund for 1998 and the Victims of Domestic Violence Fund for 1997. The approved budget documents did not reasonably project the anticipated financial activity of the Special Road and Bridge Fund for the two years ended December 31, 1998. Several funds were not included in the county's published financial statement.

2. County Community Center Board

   The Community Center Board Treasurer maintains a bank account which is held outside the county treasury. It appears the Community Center bank account should be held by the County Treasurer.

3. Mental Health Board

   The Mental Health Board authorized expenditures totaling approximately $600 for Christmas gifts for employees and doctors who provide mental health services. The Mental Health Board should review these expenditures and ensure that public funds are spent only on items which are necessary and beneficial to county residents.

This Letter on Other Matters is intended for the information of the management of Ste. Genevieve County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

SPECIAL REVIEW OF
SHERIFF'S OFFICE
BUTLER COUNTY, MISSOURI
INMATE AND COMMISSARY ACCOUNTS
MARCH 1, 1998 THROUGH JUNE 8, 1999

From The Office Of State Auditor
Claire McCaskill

Report No. 99-109
November 10, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

FACT SHEET

Missing funds were discovered as a result of an audit conducted by our office of the Butler County Sheriff's Inmate and Commissary Accounts.

Inadequate internal controls and a lack of oversight of the inmate and commissary accounts allowed a shortage of $10,217 to occur in the Inmate Account.

As of December 31, 1998, at least $3,082 was being held for inmates and $11,033 was due to the Commissary Account. However, the reconciled bank balance in the Inmate Account was only $3,898, creating a $10,217 shortage. Part of this shortage accumulated during the period March 1, 1998 through December 31, 1998, when more than $5,000 of inmate monies recorded as received, were not deposited.

Receipt slips were not reconciled to the amounts transmitted for deposit to the Inmate Account. From March 1, 1998 through December 1998 receipt slips issued totaled approximately $5,000 more than amounts deposited. After January 1999, when our audit of Butler County began, the receipt slips substantially agree to deposits.

Commissary sales were not reported on a timely basis and sales of approximately $11,000 were not reported at all, which helped to conceal the shortage of inmate monies.

Information gathered during our review has been turned over to law enforcement authorities. The State Auditor recommended the Sheriff work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds. The Sheriff responded that he will have this investigated by the Missouri State Highway Patrol.

SPECIAL REVIEW OF
SHERIFF'S OFFICE
BUTLER COUNTY, MISSOURI
INMATE AND COMMISSARY ACCOUNTS

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CLAIRE C. McCASKILL
Missouri State Auditor

County Commission of Butler County, Missouri
and
Sheriff of Butler County, Missouri

We have conducted a special review of the records and procedures related to the Inmate and Commissary Accounts of the Sheriff of Butler County, Missouri. The scope of the special review included, but was not limited to, the period March 1, 1998 through June 8, 1999. The objectives of this review were to:

1. Investigate suspected irregularities.

2. Determine the amount of monies misappropriated.

3. Review and evaluate certain controls and procedures regarding the collection of and accounting for inmate monies.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures related to the Inmate and Commissary Accounts and interviewed personnel of the Sheriff's office.

Our review was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying Management Advisory Report presents our findings, comments, and recommendations arising from our audit of the Sheriff's office of Butler County, Missouri.

Claire McCaskill
State Auditor

October 14, 1999 (fieldwork completion date)

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

EXECUTIVE SUMMARY

SPECIAL REVIEW OF
SHERIFF'S OFFICE
BUTLER COUNTY, MISSOURI
INMATE AND COMMISSARY ACCOUNTS

At December 31, 1998, the Inmate Account was short $10,217 At least $3,082 was being held for inmates and $11,033 was due to the Commissary Account. However, the reconciled bank balance in the Inmate Account was only $3,898, creating the $10,217 shortage. Part of this shortage accumulated during the period March 1, 1998 through December 31, 1998, when more than $5,000 of inmate monies were recorded as received, but not deposited. Commissary sales were not reported on a timely basis and commissary sales of approximately $11,000 were not reported at all, which helped to conceal the shortage of inmate monies.

This shortage may have been prevented or detected on a more timely basis if adequate oversight and review had been performed and internal controls, as noted in the prior Management Advisory Report (MAR) and repeated in the current MAR, had been established.

Bill R. Heaton serves as Sheriff of Butler County. Francine Willoughby, was the correction officer responsible for receiving and recording inmate monies and conducting commissary sales prior to June 25, 1999. On June 25, 1999, the Sheriff reassigned the duties of collecting and recording inmate monies to another employee.

MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF
SHERIFF'S OFFICE
BUTLER COUNTY, MISSOURI
INMATE AND COMMISSARY ACCOUNTS

The Sheriff's office collects approximately $100,000 annually on behalf of inmates and provides a commissary service for inmates twice a week. Inmates are able to purchase commissary items from monies that are held in trust for them by the Sheriff's office. Prior to March 1, 1998, commissary services were provided by an independent vendor. In March 1998, the Sheriff's office began purchasing and maintaining inventory to be resold to inmates. One correction officer was primarily responsible for receiving and recording inmate monies and conducting commissary sales prior to June 25, 1999. The duties of receiving and recording inmate monies were then transferred to the employee responsible for depositing the monies, cosigning checks and reconciling the bank accounts.

On January 4, 1999, we began our routine audit of Butler County. During our audit of the Sheriff's office, we noted discrepancies between amounts received on behalf of inmates and amounts deposited into the Inmate Account. This special review was performed to more fully review the circumstances related to these discrepancies and to more fully determine the extent of misappropriated monies.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over the Inmate and Commissary Accounts.

1. Missing Funds

Upon incarceration, any monies in the custody of an inmate are receipted and deposited into the Inmate Account. Friends and relatives are also allowed to leave monies which are receipted and deposited by the Sheriff's office for the inmates' use during incarceration. The amounts of monies received, commissary purchases made, and the available cash balance for each inmate are recorded on a computer. Prior to holding commissary, a correction officer distributes order forms to each inmate reflecting the items available for purchase and the inmate's available cash balance. The correction officer records the amount of each inmate's purchases on the computer and reports the total commissary sales for all inmates to another employee who transfers that amount from the Inmate Account to the Commissary Account. Invoices to replenish the commissary inventory are then paid from the Commissary Account and periodically, excess monies (profit) are transferred to the county's General Revenue Fund.

At December 31, 1998, the Inmate Account was short $10,217. At least $3,082 was being held for inmates and $11,033 was due to the Commissary Account. However, the reconciled bank balance in the Inmate Account was only $3,898, resulting in a shortage of $10,217. Part of this shortage accumulated during the period March 1, 1998 through December 31, 1998, when more than $5,000 of inmate monies were recorded as received, but not deposited. In addition, the correction officer did not report commissary sales in a timely manner and commissary sales of approximately $11,000 were not reported at all. This helped to conceal the shortage since these monies were not transferred out of the Inmate Account to the Commissary Account.

The shortage of inmate monies went undetected due to several internal control weaknesses, including inadequate segregation of duties and lack of independent review, as discussed later in this report.

Information gathered during our review has been turned over to law enforcement authorities.

WE RECOMMEND the Sheriff work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.

AUDITEE'S RESPONSE

We will have this investigated by the Missouri State Highway Patrol.

2. Accounting Controls and Procedures

A. Receipt slips were not issued for some monies received from (or for) inmates. Some receipt slips issued for inmate monies were not pre-numbered and did not identify the method of payment (i.e., cash, check or money order).

Pre-numbered receipt slips should be issued for all monies received, and the method of payment should be noted on the receipt slip.

B. Prior to early 1999, receipt slips issued were not reconciled to amounts transmitted for deposit. From March 1998 through December 1998, receipt slips issued totaled approximately $5,000 more than amounts deposited. The receipts slips were also not reconciled to the amounts recorded to each inmate's account on the computer. In addition, receipts recorded on the computer for which a receipt slip was not issued totaled $753 for August through November 1998. This would increase the amount of undeposited receipts as calculated above. After December 31, 1998, receipt slips substantially agree to deposits and to amounts recorded on the computer.

To ensure all amounts are properly recorded and handled, receipt slips should be reconciled to the amounts recorded on the computer and the amounts deposited. The reconciliation should include agreeing the composition of the receipt slips to the composition of the deposits.

C. Monies received were not adequately safeguarded prior to deposit. Employees of the Sheriff's office indicated monies were not locked in a drawer or otherwise secured prior to deposit and were accessible by a number of individuals.

To establish accountability and adequately protect monies from loss, theft or misuse, monies should be secured in a location with access limited to the individual responsible for the monies.

D. Errors were made, and not detected, in calculating the amount of monies to be transferred to the Commissary Account. Sales were not reported on a timely basis, some sales were inaccurately reported, and others were not reported at all.

Approximately $11,000 of commissary sales were never reported or transferred to the Commissary Account. This includes sales from as early as May 1998.

In addition, some commissary purchases were not properly recorded to the inmate accounts or were not recorded in a timely manner. As a result, some inmates upon release received larger refunds than were due to them.

To ensure all sales are transferred from the Inmate Account to the Commissary Account, the purchases should be recorded promptly to each inmate's account, and the total sales calculated after each commissary sale. Transfers from the Inmate Account to the Commissary Account for the total sale amount should be made at least weekly.

E. The balance in the Inmate Account was not reconciled to the individual inmate account balances. As of December 31, 1998 the inmates' account balances totaled approximately $3,082 and undistributed commissary sale monies owed to the Commissary Account totaled $11,033. The reconciled bank balance on that date was only $3,898 resulting in an $10,217 shortage in the Inmate Account.

Upon being released from the Butler County Jail, any balance remaining in the inmate's account may be refunded to him, transferred to another inmate's account, or sent to the correctional facility to which the inmate is being transferred. Many instances were noted where the balance was refunded, but not recorded on the computer records. While these amounts were not included in the inmate balances above, the records need to be updated and the refunds recorded on a timely basis.

To ensure that all inmate monies are properly recorded and deposited, the balance in the Inmate Account should be reconciled monthly to the inmate balances, and any other monies remaining in that account. In addition, all refunds made should be promptly recorded to the inmate's account.

F. The accounting duties related to the Inmate and Commissary Accounts were not adequately segregated. One person was responsible for receipting, recording receipts to the inmates' accounts, and transmitting monies for deposit. There was no review or independent reconciliation of receipt slips issued to monies transmitted for deposit, or amounts recorded to inmate accounts. In addition, the same person was responsible for conducting the commissary sales, recording the sales to the inmates' accounts and reporting the amount of monies to be transferred to the Commissary Account. There was no independent review of the amount of sales recorded to the inmate accounts with the inventory reconciliations or the amounts reported as sales to be transferred to the Commissary Account.

To ensure monies are properly recorded and handled, the duties of receipting and depositing monies need to be segregated from those of recording receipts to the inmates' accounts. Also, someone without access to cash receipts needs to record the commissary sales to the inmates' accounts and report the amount to be transferred to the Commissary Account.

G. The Sheriff's office does not maintain a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances. A record of what should be in the inventory should be reconciled periodically to an actual physical inventory on hand.

   To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand.

Conditions similar to A. B. and E. were reported in our prior audit.

WE RECOMMEND the Sheriff:

A. Ensure pre-numbered receipt slips are issued for all monies received and the composition of the receipt is noted on the receipt slip.

B. Ensure receipt slips are reconciled to deposits, including the composition of receipt slips to the composition of deposits. In addition, amounts recorded on the computer should be reconciled to receipt slips and deposits.

C. Ensure monies are adequately safeguarded until deposited.

D. Ensure purchases are recorded promptly to the inmates' accounts and the total sale amount transferred to the Commissary Account.

E. Ensure the Inmate Account balance is reconciled monthly to inmate balances. Any differences should be immediately followed up on and resolved. In addition, all refunds should be promptly recorded to the inmates' accounts.

F. Ensure accounting duties are adequately segregated or an independent review is made of the records and reconciliations.

G. Ensure perpetual inventory records are maintained and periodically reconciled to a physical inventory.

AUDITEE'S RESPONSE

A-C. These have been implemented.

D. This has been implemented. Monies are transferred weekly to the Commissary Account.

E. This has been implemented. Currently, the only differences occurred prior to January 1999.

F. The administrative assistant is currently reviewing the records and reconciliations.

G. Not implemented yet. The sheriff's department plans to turn the commissary operations over to a private vendor.

The report is intended for the information of the management of the Office of Sheriff of Butler County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

SPECIAL REVIEW OF
SHERIFF'S OFFICE
BUTLER COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Butler County Sheriff's office on recommendations made in the Management Advisory Report (MAR) of our report of Butler County issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented have been repeated in the current MAR.

Sheriff's Commissary

A.1. Monies received from (or for) inmates were held in cash and were used to cash a personal check for a jail employee and to pay an invoice which was subsequently reimbursed.

2. The inmate account ledger was not reconciled to the inmate bank account.

3. Inmates were allowed to carry negative cash balances, and bank charges assessed on the inmate account were not reimbursed from the commissary revenue account.

B.1. Perpetual inventory records were not maintained, and some vendor invoices and inmates' order forms were not retained.

2. Periodic physical inventory counts were not performed.

3. Procedures had not been established for marking up inventory prices to ensure an adequate profit was received from the operation of the commissary.

Recommendation:

The Sheriff:

A.1. Deposit monies held in trust for prisoners to the inmate trust account intact daily or when accumulated receipts exceed $100. In addition, inmate funds should be used only for the inmates' benefit at the inmates' directions.

2. Reconcile the inmate account ledger to the inmate account at least monthly and investigate and resolve all errors and discrepancies in a timely manner.

3. Discontinue the practice of allowing inmates' accounts to carry negative balances and seek reimbursement from the commissary sales revenue account for all bank charges incurred on the inmate monies bank account.

B.1. Maintain perpetual inventory records and adequate supporting documentation to account for commissary merchandise including balances for each item, purchases, sales, credits, and other uses of inventory.

2. Ensure a periodic physical count of inventory is performed at least monthly by an employee independent of daily commissary operations. The results of that inventory should be

compared to the inventory records and discrepancies should be investigated in a timely manner.

3. Establish a formal policy to regulate the mark up of commissary inventory. In addition, the Sheriff's department should formally monitor the commissary revenues and cost of goods sold to ensure an adequate profit is received from the operations of the commissary.

Status:

A.1. Partially implemented. Inmate monies are no longer held in cash and used to cash personal checks or pay invoices. However, some monies were not deposited intact. See MAR No.1.

A.2,
B.1,
&B.2. Not implemented. See MAR No. 2.

A.3. Partially implemented. Inmates are not allowed to carry negative balances. However, some bank charges incurred on the inmate account were not reimbursed. Although not repeated in the current MAR, our recommendation remains as stated above.

B.3. Implemented.

* * * * *

MORGAN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-108
November 10, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

FACT SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Morgan, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Morgan County was a financial and compliance audit of various county operating funds.

< The county overspent the budget in some funds. The audit recommended officials not authorize warrants in excess of budgeted expenditures. In addition, the county did not prepare budgets for some funds.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

MORGAN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Morgan County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Morgan County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Morgan County, Missouri has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues,* as

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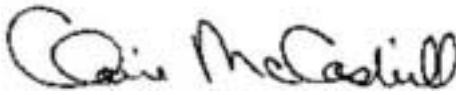
amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000 compliant, that the county's year 2000 remedial efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 16, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

June 16, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Morgan County, Missouri

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 16, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Morgan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 98-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Morgan County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions

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of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1 to be a material weakness.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Claire McCaskill
State Auditor

June 16, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 574,014	1,552,878	1,463,657	663,235
Special Road and Bridge	772,898	1,436,729	1,654,526	555,101
Assessment	0	279,133	279,038	95
Law Enforcement Training	3,171	3,378	3,317	3,232
Prosecuting Attorney Training	6,443	793	0	7,236
Johnson Grass	5,949	21,083	4,703	22,329
911	0	351,192	351,192	0
Local Emergency Planning Committee	6,376	2,639	0	9,015
Prosecuting Attorney Delinquent Sales Tax Collection	7,893	2,224	16	10,101
Recorder's User Fees	21,015	16,963	18,074	19,904
Domestic Violence	350	788	515	623
Bad Check Collection	27,169	17,143	27,638	16,674
Prosecuting Attorney Library	99	7,651	3,659	4,091
Law Enforcement Sales Tax	0	857,756	729,505	128,251
Neighborhood Improvement District Debt Service	664,835	874,749	527,745	1,011,839
Neighborhood Improvement District Maintenance	343,758	22,806	205,854	160,710
Sheriff Fees	8,143	34,005	35,345	6,803
POST	1	2,041	2,042	0
Neighborhood Improvement District 135-12 Construction	70,544	1,438,792	1,509,157	179
Neighborhood Improvement District TT1/TT1A Construction	43,940	514,459	512,157	46,242
Health Center	218,122	539,479	513,440	244,161
Senate Bill 40	24,735	123,954	114,944	33,745
Circuit Clerk Interest	16,641	4,916	2,353	19,204
Associate Circuit Court Interest	11,503	2,884	1,795	12,592
Neighborhood Improvement District 135-3 Construction	0	117,817	117,817	0
Neighborhood Improvement District Y-20B Construction	0	104,536	92,222	12,314
Sheriff's Drug Seizure	1,508	8	1,516	0
Local Law Enforcement Block Grant	0	36,846	16,659	20,187
K-9 Drug Dog	0	3,184	2,141	1,043
Total	$ 2,829,107	8,370,826	8,191,027	3,008,906

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	599,410	1,438,937	1,464,333	574,014
Special Road and Bridge		484,506	1,576,682	1,288,290	772,898
Assessment		0	266,471	266,471	0
Law Enforcement Training		3,194	3,136	3,159	3,171
Prosecuting Attorney Training		5,661	1,704	922	6,443
Johnson Grass		11,710	2,883	8,644	5,949
911		492	307,916	308,408	0
Local Emergency Planning Committee		2,705	3,671	0	6,376
Prosecuting Attorney Delinquent Sales Tax Collection		10,036	2,025	4,168	7,893
Recorder's User Fees		22,755	15,962	17,702	21,015
Domestic Violence		628	733	1,011	350
Bad Check Collection		32,694	24,818	30,343	27,169
Prosecuting Attorney Library		227	3,235	3,363	99
Neighborhood Improvement District Debt Service		189,467	638,877	163,509	664,835
Neighborhood Improvement District Maintenance		329,023	14,735	0	343,758
Sheriff Fees		0	9,739	1,596	8,143
POST		0	73	72	1
Neighborhood Improvement District 135-12 Construction		347,083	2,506,414	2,782,953	70,544
Neighborhood Improvement District TT1/TT1A Construction		0	493,886	449,946	43,940
Health Center		212,293	492,096	486,267	218,122
Senate Bill 40		13,891	100,637	89,793	24,735
Circuit Clerk Interest		13,675	5,420	2,454	16,641
Associate Circuit Court Interest		13,792	3,015	5,304	11,503
Sheriff's Drug Seizure		0	1,508	0	1,508
Local Law Enforcement Block Grant		0	14,956	14,956	0
Courthouse Repair		96	0	96	0
Total	$	2,293,338	7,929,529	7,393,760	2,829,107

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 232,000	254,309	22,309	171,200	222,843	51,643
Sales taxes	700,000	701,317	1,317	700,000	695,416	-4,584
Intergovernmental	26,500	21,486	-5,014	22,189	29,529	7,340
Charges for services	306,100	331,993	25,893	323,000	338,251	15,251
Interest	38,000	33,383	-4,617	45,000	38,763	-6,237
Other	68,900	161,550	92,650	82,550	74,875	-7,675
Transfers in	48,840	48,840	0	39,260	39,260	0
Total Receipts	1,420,340	1,552,878	#VALUE!	1,383,199	1,438,937	#VALUE!
DISBURSEMENTS						
County Commission	103,736	103,015	721	72,117	72,417	-300
County Clerk	87,732	87,154	578	73,593	72,673	920
Elections	25,700	25,671	29	5,550	9,369	-3,819
Buildings and grounds	33,298	33,211	87	30,558	31,719	-1,161
Employee fringe benefits	42,300	47,319	-5,019	70,900	67,626	3,274
County Treasurer	32,410	32,653	-243	21,959	21,395	564
County Collector	84,025	85,316	-1,291	78,989	78,849	140
Ex Officio Recorder of Deeds	46,758	46,517	241	45,670	44,343	1,327
Circuit Clerk	6,000	4,834	1,166	5,900	5,692	208
Associate Circuit Court	20,522	14,471	6,051	19,710	13,258	6,452
Circuit Judges - Division 1&2	6,989	2,743	4,246	7,215	2,963	4,252
Court administration	5,000	3,000	2,000	2,000	5,000	-3,000
Public Administrator	19,742	22,150	-2,408	13,730	16,799	-3,069
Insurance	22,500	26,523	-4,023	21,000	22,576	-1,576
University Extension Service	27,635	26,619	1,016	27,580	26,072	1,508
Utilities	20,000	19,307	693	23,000	19,033	3,967
Telephone	21,000	20,714	286	20,000	20,486	-486
Equipment	115,000	93,445	21,555	60,000	53,473	6,527
Detention fees	35,000	126,566	-91,566	30,000	33,874	-3,874
Capital Improvement Courthouse	25,000	12,003	12,997	50,000	41,823	8,177
Capital Improvement Annex	3,000	558	2,442	25,000	15,941	9,059
Other	56,266	35,902	20,364	56,178	34,363	21,815
Sheriff	0	0	0	364,985	370,475	-5,490
Jail	0	0	0	72,300	53,818	18,482
Prosecuting Attorney	128,248	119,820	8,428	101,388	98,263	3,125
Juvenile Officer	98,700	70,154	28,546	81,166	74,352	6,814
County Coroner	28,030	15,650	12,380	14,600	7,965	6,635
Transfers out	415,548	388,342	27,206	148,984	149,716	-732
Emergency Fund	42,610	0	42,610	41,500	0	41,500
Total Disbursements	1,552,749	1,463,657	89,092	1,585,572	1,464,333	121,239
RECEIPTS OVER (UNDER) DISBURSEMENTS	-132,409	89,221	#VALUE!	-202,373	-25,396	#VALUE!
CASH, JANUARY 1	574,014	574,014	0	599,410	599,410	0
CASH, DECEMBER 31	$ 441,605	663,235	#VALUE!	397,037	574,014	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 220,000	253,671	33,671	226,300	218,517	-7,783
Intergovernmental	1,080,000	1,126,146	46,146	1,013,750	1,119,803	106,053
Interest	43,000	51,329	8,329	39,000	42,520	3,520
Equipment sales	100,000	0	-100,000	150,000	186,960	36,960
Other	8,500	5,583	-2,917	9,500	8,882	-618
Total Receipts	1,451,500	1,436,729	-14,771	1,438,550	1,576,682	138,132
DISBURSEMENTS						
Salaries	324,480	316,392	8,088	297,000	290,464	6,536
Employee fringe benefits	45,000	40,129	4,871	44,640	38,802	5,838
Supplies	85,000	65,228	19,772	69,000	92,253	-23,253
Insurance	10,000	11,624	-1,624	10,000	8,029	1,971
Road and bridge materials	145,000	150,062	-5,062	145,000	132,796	12,204
Equipment repairs	30,000	29,718	282	20,000	27,820	-7,820
Equipment purchases	250,000	247,187	2,813	225,000	318,846	-93,846
Construction, repair, and maintenance	500,000	455,097	44,903	325,000	137,283	187,717
CART to special road disticts	170,000	179,378	-9,378	155,000	168,072	-13,072
Other	68,650	110,871	-42,221	68,150	34,665	33,485
Transfers out	48,840	48,840	0	39,260	39,260	0
Total Disbursements	1,676,970	1,654,526	22,444	1,398,050	1,288,290	109,760
RECEIPTS OVER (UNDER) DISBURSEMENTS	-225,470	-217,797	7,673	40,500	288,392	247,892
CASH, JANUARY 1	772,898	772,898	0	484,506	484,506	0
CASH, DECEMBER 31	$ 547,428	555,101	7,673	525,006	772,898	247,892

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 246,236	255,659	9,423	225,317	216,303	-9,014
Interest	900	1,835	935	850	872	22
Transfers in	45,274	21,639	-23,635	52,216	49,296	-2,920
Total Receipts	292,410	279,133	-13,277	278,383	266,471	-11,912
DISBURSEMENTS						
Assessor	292,410	279,038	13,372	278,383	266,471	11,912
Total Disbursements	292,410	279,038	13,372	278,383	266,471	11,912
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	95	95	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	95	95	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,500	3,140	-360	4,200	3,136	-1,064
Interest	0	4	4	0	0	0
Other	0	234	234	0	0	0
Total Receipts	3,500	3,378	-122	4,200	3,136	-1,064
DISBURSEMENTS						
Sheriff	4,600	3,317	1,283	3,600	3,159	441
Total Disbursements	4,600	3,317	1,283	3,600	3,159	441
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,100	61	1,161	600	-23	-623
CASH, JANUARY 1	3,171	3,171	0	3,194	3,194	0
CASH, DECEMBER 31	$ 2,071	3,232	1,161	3,794	3,171	-623

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,000	784	-1,216	2,400	1,704	-696
Interest	0	9	9	0	0	0
Total Receipts	2,000	793	-1,207	2,400	1,704	-696
DISBURSEMENTS						
Training	1,000	0	1,000	1,000	70	930
Transfer to State	1,000	0	1,000	1,200	852	348
Total Disbursements	2,000	0	2,000	2,200	922	1,278
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	793	793	200	782	582
CASH, JANUARY 1	6,443	6,443	0	5,661	5,661	0
CASH, DECEMBER 31	$ 6,443	7,236	793	5,861	6,443	582

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHNSON GRASS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 500	19,949	19,449	19,900	2,244	-17,656
Interest	500	1,125	625	500	434	-66
Other	0	9	9	0	205	205
Total Receipts	1,000	21,083	20,083	20,400	2,883	-17,517
DISBURSEMENTS						
Salaries	4,000	3,990	10	4,150	3,880	270
Office expenditures	250	37	213	250	187	63
Equipment	0	0	0	6,200	3,531	2,669
Other	1,350	676	674	1,100	1,046	54
Total Disbursements	5,600	4,703	897	11,700	8,644	3,056
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,600	16,380	20,980	8,700	-5,761	-14,461
CASH, JANUARY 1	5,949	5,949	0	11,710	11,710	0
CASH, DECEMBER 31	$ 1,349	22,329	20,980	20,410	5,949	-14,461

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 44,000	41,100	-2,900	45,300	43,289	-2,011
Interest	0	137	137	0	307	307
User fees	166,000	177,216	11,216	156,000	168,400	12,400
Other	0	2,680	2,680	0	0	0
Transfers in	115,774	130,059	14,285	92,268	95,920	3,652
Total Receipts	325,774	351,192	25,418	293,568	307,916	14,348
DISBURSEMENTS						
Salaries	242,424	266,225	-23,801	203,668	221,015	-17,347
Office expenditures	20,000	22,863	-2,863	13,500	17,222	-3,722
Equipment	15,000	23,206	-8,206	13,500	13,453	47
Mileage and training	9,500	5,539	3,961	10,500	6,598	3,902
Mapping of county	0	0	0	15,000	22,749	-7,749
Line charges	25,000	25,940	-940	25,000	21,981	3,019
Other	13,850	7,419	6,431	12,400	5,390	7,010
Total Disbursements	325,774	351,192	-25,418	293,568	308,408	-14,840
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	-492	-492
CASH, JANUARY 1	0	0	0	492	492	0
CASH, DECEMBER 31	$ 0	0	0	492	0	-492

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 200	341	141	100	188	88
Other	3,000	2,298	-702	0	3,483	3,483
Total Receipts	3,200	2,639	-561	100	3,671	3,571
DISBURSEMENTS						
Salaries	2,200	0	2,200	0	0	0
Office expenditures	500	0	500	1,500	0	1,500
Equipment	2,000	0	2,000	0	0	0
Mileage and training	1,160	0	1,160	1,304	0	1,304
Total Disbursements	5,860	0	5,860	2,804	0	2,804
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,660	2,639	5,299	-2,704	3,671	6,375
CASH, JANUARY 1	6,376	6,376	0	2,705	2,705	0
CASH, DECEMBER 31	$ 3,716	9,015	5,299	1	6,376	6,375

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT SALES TAX COLLECTION

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,500	1,750	250	2,000	1,463	-537
Interest	500	474	-26	500	562	62
Total Receipts	2,000	2,224	224	2,500	2,025	-475
DISBURSEMENTS						
Office expenditures	0	16	-16	0	10	-10
Equipment	2,000	0	2,000	0	4,158	-4,158
Total Disbursements	2,000	16	1,984	0	4,168	-4,168
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,208	2,208	2,500	-2,143	-4,643
CASH, JANUARY 1	7,893	7,893	0	10,036	10,036	0
CASH, DECEMBER 31	$ 7,893	10,101	2,208	12,536	7,893	-4,643

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 14,650	15,982	1,332	14,000	14,687	687
Interest	1,300	981	-319	1,500	1,275	-225
Total Receipts	15,950	16,963	1,013	15,500	15,962	462
DISBURSEMENTS						
Office expenditures	18,000	18,074	-74	17,000	17,702	-702
Total Disbursements	18,000	18,074	-74	17,000	17,702	-702
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,050	-1,111	939	-1,500	-1,740	-240
CASH, JANUARY 1	21,015	21,015	0	22,755	22,755	0
CASH, DECEMBER 31	$ 18,965	19,904	939	21,255	21,015	-240

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 725	750	25	675	700	25
Interest	30	38	8	35	33	-2
Total Receipts	755	788	33	710	733	23
DISBURSEMENTS						
Other	1,010	515	495	1,011	1,011	0
Total Disbursements	1,010	515	495	1,011	1,011	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-255	273	528	-301	-278	23
CASH, JANUARY 1	350	350	0	628	628	0
CASH, DECEMBER 31	$ 95	623	528	327	350	23

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BAD CHECK COLLECTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 7,100	5,482	-1,618	8,000	5,654	-2,346
Charges for services	17,000	10,539	-6,461	17,000	17,525	525
Interest	1,500	1,122	-378	1,500	1,639	139
Total Receipts	25,600	17,143	-8,457	26,500	24,818	-1,682
DISBURSEMENTS						
Salaries	32,665	25,973	6,692	24,380	26,695	-2,315
Office expenditures	3,483	783	2,700	1,262	2,271	-1,009
Mileage and training	1,000	42	958	1,000	613	387
Other	800	840	-40	1,300	764	536
Total Disbursements	37,948	27,638	10,310	27,942	30,343	-2,401
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,348	-10,495	1,853	-1,442	-5,525	-4,083
CASH, JANUARY 1	27,169	27,169	0	32,694	32,694	0
CASH, DECEMBER 31	$ 14,821	16,674	1,853	31,252	27,169	-4,083

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY LIBRARY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Law Library fees	$ 3,200	7,651	4,451	2,000	3,235	1,235
Total Receipts	3,200	7,651	4,451	2,000	3,235	1,235
DISBURSEMENTS						
Law Library	2,500	3,659	-1,159	1,500	3,363	-1,863
Total Disbursements	2,500	3,659	-1,159	1,500	3,363	-1,863
RECEIPTS OVER (UNDER) DISBURSEMENTS	700	3,992	3,292	500	-128	-628
CASH, JANUARY 1	99	99	0	227	227	0
CASH, DECEMBER 31	$ 799	4,091	3,292	727	99	-628

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales tax	$ 525,000	518,193	-6,807
Charges for services	39,000	5,621	-33,379
Interest	0	1,589	1,589
Other	4,100	100,209	96,109
Transfers in	250,000	232,144	-17,856
Total Receipts	818,100	857,756	39,656
DISBURSEMENTS			
Salaries	329,368	333,700	-4,332
Employee fringe benefits	34,050	33,593	457
Equipment	2,000	1,583	417
Office expenditures	21,000	18,637	2,363
Mileage and training	49,280	44,981	4,299
Jail	68,000	54,372	13,628
Bond payment	225,000	166,407	58,593
Land purchase	50,000	62,958	-12,958
Other	22,000	13,274	8,726
Total Disbursements	800,698	729,505	71,193
RECEIPTS OVER (UNDER) DISBURSEMENTS	17,402	128,251	110,849
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 17,402	128,251	110,849

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NEIGHBORHOOD IMPROVEMENT DISTRICT DEBT SERVICE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax	$ 261,388	728,316	466,928	180,490	622,375	441,885
Interest	13,600	43,085	29,485	10,800	14,568	3,768
Assessments	21,640	0	-21,640	22,370	0	-22,370
Other	0	103,348	103,348	0	1,934	1,934
Total Receipts	296,628	874,749	578,121	213,660	638,877	425,217
DISBURSEMENTS						
Commissions	21,055	0	21,055	14,588	0	14,588
Payment on bond issue	296,077	392,898	-96,821	161,038	161,038	0
Other	0	134,847	-134,847	0	2,471	-2,471
Total Disbursements	317,132	527,745	-210,613	175,626	163,509	12,117
RECEIPTS OVER (UNDER) DISBURSEMENTS	-20,504	347,004	367,508	38,034	475,368	437,334
CASH, JANUARY 1	664,835	664,835	0	189,467	189,467	0
CASH, DECEMBER 31	$ 644,331	1,011,839	367,508	227,501	664,835	437,334

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NEIGHBORHOOD IMPROVEMENT DISTRICT MAINTENANCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax	$ 26,870	0	-26,870	15,184	0	-15,184
Interest	14,600	12,406	-2,194	14,600	14,735	135
Assessments	21,840	0	-21,840	15,910	0	-15,910
Other	26,500	10,400	-16,100	250,000	0	-250,000
Total Receipts	89,810	22,806	-67,004	295,694	14,735	-280,959
DISBURSEMENTS						
Commissions	3,690	0	3,690	2,597	0	2,597
Road maintenance	57,500	205,854	-148,354	57,500	0	57,500
Total Disbursements	61,190	205,854	-144,664	60,097	0	60,097
RECEIPTS OVER (UNDER) DISBURSEMENTS	28,620	-183,048	-211,668	235,597	14,735	-220,862
CASH, JANUARY 1	343,758	343,758	0	329,023	329,023	0
CASH, DECEMBER 31	$ 372,378	160,710	-211,668	564,620	343,758	-220,862

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 8,000	32,046	24,046
Interest	110	449	339
Other	0	1,510	1,510
Total Receipts	8,110	34,005	25,895
DISBURSEMENTS			
Sheriff	0	33,834	-33,834
Other	0	1,511	-1,511
Total Disbursements	0	35,345	-35,345
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,110	-1,340	-9,450
CASH, JANUARY 1	8,143	8,143	0
CASH, DECEMBER 31	$ 16,253	6,803	-9,450

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
POST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 1,500	2,041	541
Total Receipts	1,500	2,041	541
DISBURSEMENTS			
Other	0	2,042	-2,042
Total Disbursements	0	2,042	-2,042
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	-1	-1,501
CASH, JANUARY 1	1	1	0
CASH, DECEMBER 31	$ 1,501	0	-1,501

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NEIGHBORHOOD IMPROVEMENT DISTRICT 135-12 CONSTRUCTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 200	2,445	2,245	15,000	13,455	-1,545
Proceeds from temporary notes	0	1,429,000	1,429,000	1,040,000	2,491,904	1,451,904
Other	0	7,347	7,347	0	1,055	1,055
Total Receipts	200	1,438,792	1,438,592	1,055,000	2,506,414	1,451,414
DISBURSEMENTS						
Road construction	70,744	1,509,157	-1,438,413	1,400,000	2,782,953	-1,382,953
Total Disbursements	70,744	1,509,157	-1,438,413	1,400,000	2,782,953	-1,382,953
RECEIPTS OVER (UNDER) DISBURSEMENTS	-70,544	-70,365	179	-345,000	-276,539	68,461
CASH, JANUARY 1	70,544	70,544	0	347,083	347,083	0
CASH, DECEMBER 31	$ 0	179	#VALUE!	2,083	70,544	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NEIGHBORHOOD IMPROVEMENT DISTRICT TT1/TT1A CONSTRUCTION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 2,000	2,409	409
Proceeds from temporary notes	100,000	512,050	412,050
Total Receipts	102,000	514,459	412,459
DISBURSEMENTS			
Road construction	145,940	512,157	-366,217
Total Disbursements	145,940	512,157	-366,217
RECEIPTS OVER (UNDER) DISBURSEMENTS	-43,940	2,302	46,242
CASH, JANUARY 1	43,940	43,940	0
CASH, DECEMBER 31	$ 0	46,242	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 201,000	216,698	15,698	170,000	175,111	5,111
Intergovernmental	219,831	239,816	19,985	267,030	250,433	-16,597
Charges for services	39,100	45,478	6,378	24,000	36,102	12,102
Interest	12,000	17,564	5,564	8,000	16,953	8,953
Donations	10,000	15,495	5,495	11,000	9,606	-1,394
Other	25,725	4,428	-21,297	28,400	3,891	-24,509
Total Receipts	507,656	539,479	#VALUE!	508,430	492,096	#VALUE!
DISBURSEMENTS						
Salaries	366,000	365,952	48	358,000	353,246	4,754
Office expenditures	41,000	41,032	-32	37,000	38,761	-1,761
Building and Grounds	5,000	2,916	2,084	10,000	5,320	4,680
Equipment	8,000	8,614	-614	6,000	3,013	2,987
Mileage and training	18,000	18,269	-269	19,000	15,559	3,441
Prenatal	14,000	13,094	906	32,000	29,122	2,878
Family Planning	16,000	20,692	-4,692	16,750	14,457	2,293
Other	39,656	42,871	-3,215	23,680	26,789	-3,109
Total Disbursements	507,656	513,440	#VALUE!	502,430	486,267	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	26,039	#VALUE!	6,000	5,829	#VALUE!
CASH, JANUARY 1	218,122	218,122	0	212,293	212,293	0
CASH, DECEMBER 31	$ 218,122	244,161	#VALUE!	218,293	218,122	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax	$ 110,000	120,426	10,426	99,000	97,710	-1,290
Interest	2,000	2,328	328	1,000	1,827	827
Grant for Education	1,200	1,200	0	1,200	1,100	-100
Total Receipts	113,200	123,954	10,754	101,200	100,637	-563
DISBURSEMENTS						
Wonderland Camp	8,250	8,250	0	5,000	5,000	0
Quality Industries	56,600	60,850	-4,250	51,000	51,000	0
Stover Development	12,044	12,912	-868	12,600	12,600	0
Morgan Co. Mental Health	5,778	5,778	0	0	0	0
Special Olympics	3,200	0	3,200	1,500	1,500	0
Central Mo. Regional I/ILS	7,358	7,358	0	7,000	7,000	0
Lake Ozark Development Center	15,000	14,500	500	17,000	12,000	5,000
Center for Human Services	4,000	850	3,150	0	0	0
Special Grant for Education	3,733	3,273	460	0	0	0
Emergency	2,000	500	1,500	0	0	0
Other	1,500	673	827	800	693	107
Total Disbursements	119,463	114,944	4,519	94,900	89,793	5,107
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,263	9,010	15,273	6,300	10,844	4,544
CASH, JANUARY 1	24,735	24,735	0	13,891	13,891	0
CASH, DECEMBER 31	$ 18,472	33,745	15,273	20,191	24,735	4,544

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 5,500	4,916	-584	4,100	5,420	1,320
Total Receipts	5,500	4,916	-584	4,100	5,420	1,320
DISBURSEMENTS						
Office supplies	0	2,353	-2,353	5,000	2,454	2,546
Total Disbursements	0	2,353	-2,353	5,000	2,454	2,546
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,500	2,563	-2,937	-900	2,966	3,866
CASH, JANUARY 1	16,641	16,641	0	13,675	13,675	0
CASH, DECEMBER 31	$ 22,141	19,204	-2,937	12,775	16,641	3,866

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Y

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT COURT INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 3,000	2,884	-116	3,200	3,015	-185
Total Receipts	3,000	2,884	-116	3,200	3,015	-185
DISBURSEMENTS						
Office expense	2,500	1,795	705	6,000	5,304	696
Total Disbursements	2,500	1,795	705	6,000	5,304	696
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,089	589	-2,800	-2,289	511
CASH, JANUARY 1	11,503	11,503	0	13,792	13,792	0
CASH, DECEMBER 31	$ 12,003	12,592	589	10,992	11,503	511

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Morgan County Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff Fees Fund	1997
POST Fund	1997
Neighborhood Improvement District TT1/ TT1A Construction Fund	1997
Neighborhood Improvement District 135-3 Construction Fund	1998
Neighborhood Improvement District Y-20B Construction Fund	1998
Sheriff's Drug Seizure Fund	1998 and 1997
Local Law Enforcement Block Grant Fund	1998 and 1997
K-9 Drug Dog Fund	1998
Courthouse Repair Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
911 Fund	1998 and 1997
Recorder's User Fees Fund	1998 and 1997
Bad Check Collection Fund	1997
Prosecuting Attorney Library Fund	1998 and 1997
Neighborhood Improvement District Debt Service Fund	1998
Neighborhood Improvement District Maintenance Fund	1998
Sheriff Fees Fund	1998
POST Fund	1998
Neighborhood Improvement District 135-12 Construction Fund	1998 and 1997
Neighborhood Improvement District TT1/ TT1A Construction Fund	1998
Health Center Fund	1998
Circuit Clerk Interest Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Law Enforcement Sales Tax Fund	1998
Health Center Fund	1998 and 1997
Senate Bill 40 Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Court Interest Fund	1998 and 1997
Neighborhood Improvement District 135-3 Construction Fund	1998
Sheriff's Drug Seizure Fund	1998 and 1997
Local Law Enforcement Block Grant Fund	1998 and 1997
Courthouse Repair Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than

depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name. The Senate Bill 40 Board's deposits at December 31, 1998 and 1997 were entirely covered by federal depositary insurance.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $134,158 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $61,413. As of December 31, 1998, $26,532 remains to be paid.

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Budgetary Procedures

A. Actual expenditures exceeded budgeted amounts in various funds by the following amounts:

Fund	Year Ended December 31, 1998	Year Ended December 31, 1997
911	$ 25,418	14,840
Recorder's User Fees	74	702
Bad Check Collection	N/A	2,401
Prosecuting Attorney Library	1,159	1,863
Neighborhood Improvement District Debt Service	210,613	N/A
Neighborhood Improvement District Maintenance	144,644	N/A
Sheriff Fees	35,345	N/A
POST	2,042	N/A
Neighborhood Improvement District 135-12 Construction	1,438,413	1,382,953
Neighborhood Improvement District TT1/TT1A Construction	366,217	N/A
Health Center	5,784	N/A
Circuit Clerk Interest	2,353	N/A
Total	$ 2,232,062	1,402,759

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

B. The following expenditures were made from various funds that did not have a formal budget prepared:

Fund		Year Ended December 31, 1998	1997
Sheriff Fees	$	N/A	1,596
POST		N/A	72
Neighborhood Improvement District TT1/TT1A Construction		N/A	449,946
Sheriff's Drug Seizure		1,516	0
Local Law Enforcement Block Grant		16,659	14,956
Courthouse Repair		N/A	96
Neighborhood Improvement District 135-3 Construction		117,817	N/A
Neighborhood Improvement District Y-20B Construction		92,222	N/A
K-9 Drug Dog		2,141	N/A
Total	$	230,355	466,666

Chapter 50, RSMo 1994, requires preparation of annual budgets to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more efficiently evaluate all county financial resources. According to Section 50.530, RSMo 1994, the County Clerk is the budget officer. The County Clerk needs to implement procedures to ensure all funds are budgeted. These procedures need to include requesting and obtaining budgets for funds controlled by other county officials.

C. Most of the budget concerns we noted pertained to Neighborhood Improvement District (NID) funds. Budgets prepared and approved by the County Commission for the NID Debt Service, Maintenance, and Construction Funds did not always present accurate financial information in that the amounts budgeted for receipts and disbursements varied significantly from actual amounts.

Failure to present accurate financial information decreases the effectiveness of the budget as a management tool. To be of maximum benefit to the county and its taxpayers, a complete and accurate budget document should be prepared.

WE RECOMMEND the County Commission and County Clerk implement procedures to ensure:

A. Budgets are prepared or obtained for all funds.

B. Budgets are properly amended if necessary, and expenditures are kept within budgetary limits.

C. Budgets prepared for the NID funds reflect more accurate estimates.

AUDITEE'S RESPONSE

A. The County Commission and County Clerk will work together to try to ensure budgets are prepared or obtained for all funds.

B. The County Commission and County Clerk will amend budgets as needed.

C. The County Commission and County Clerk indicated these funds are difficult to budget in the year of construction and until bonds are sold. However, they will try to prepare more accurate estimates and properly amend the budgets as needed.

Follow-Up on Prior Audit Findings

MORGAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Morgan County, Missouri, on a certain finding in our prior audit report issued for the two years ended December 31, 1996. The finding is the one that *Government Auditing Standards* requires to be reported for an audit of financial statements.

2. Budgetary Procedures

Actual disbursements exceeded budgeted amounts in several funds.

Recommendation:

The County Commission and Senate Bill 40 Board keep expenditures within budgetary limits. If necessary, extenuating circumstances should be fully documented and budgets properly revised and filed with the State Auditor's Office.

Status:

Partially implemented. Although the Senate Bill 40 Board kept expenditures within budgetary limits, several other funds had disbursements in excess of budgeted amounts during the current audit period. See Schedule of Findings No. 98-1.

SECTION ON OTHER MATTERS

MORGAN COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 16, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Morgan County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Neighborhood Improvement Districts

   As similarly reported in our prior audit, the county may not be handling certain aspects of the neighborhood improvement districts in accordance with state law. The county has included a maintenance levy in the special assessments levied to landowners of the Neighborhood Improvement Districts (NID). The County Commission has authorized the County Collector to withhold assessment funding from the special assessment collections. The special assessments levied on property owners were not based on the final costs of the improvements, but also included estimated maintenance costs. The County Commission changes the special assessments for each NID annually. The County Commission believes these practices comply with the implied authority in state law; however, the County Commission has not obtained a written legal opinion to support its actions.

2. Published Financial Statements

   Some funds' financial activity was not published in the newspaper as required by state law, Sections 50.800 and 50.810, RSMo 1994.

This Letter on Other Matters is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

DEPARTMENT OF SOCIAL SERVICES

DIVISION OF YOUTH SERVICES

SCHOOL ATTENDANCE HOURS

TWO YEARS ENDED JUNE 30, 1999

From The Office Of State Auditor
Claire McCaskill

Report No. 99-107
November 9, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2000

YELLOW SHEET

We have audited the compliance of the Department of Social Services, Division of Youth Services with respect to the methods of maintaining pupil attendance records. Our responsibility is to express an opinion on the division's compliance based on our audit.

As provided by state law, the Division of Youth Services is entitled to state aid for youth assigned to the division's facilities which have an education program approved by the Department of Elementary and Secondary Education. The state aid payments are based on the number of full-time equivalent students and the average daily attendance. The Division of Youth Services received $1,923,054 and $1,739,088 respectively from the Department of Elementary and Secondary Education for the years ended June 30, 1999 and 1998.

Teachers typically record daily attendance for each of their classes. Their attendance is then submitted to the school secretary who enters the attendance into the Division of Youth Services computer information system.

In our opinion, the pupil attendance records are accurately maintained by the division.

In our opinion, the pupil attendance records are accurately maintained by the division.

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Gary J. Stangler, Director
Department of Social Services
and
Mark D. Steward, Director
Division of Youth Services
Jefferson City, Missouri 65102

We have audited the compliance of the Department of Social Services, Division of Youth Services, with Section 165.121.3(7), RSMo 1994, with respect to the methods of maintaining pupil attendance records for the years ended June 30, 1999 and 1998. Compliance with those requirements is the responsibility of the division's management. Our responsibility is to express an opinion on the division's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the division's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Division of Youth Services' compliance with those requirements.

In our opinion, the pupil attendance records are so maintained by the division as to accurately disclose, in all material respects, the average daily attendance in compliance with the requirements referred to above for the years ended June 30, 1999 and 1998.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This background information was obtained from the division's management and was not subjected to the procedures applied in the audit of compliance with the requirements referred to above.

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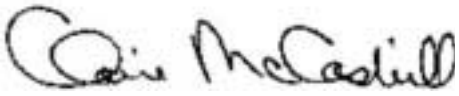
This report is intended for the information of the management of the Department of Social Services, Division of Youth Services, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

August 27, 1999 (fieldwork completion date)

STATISTICAL SECTION

History, Organization, and
Statistical Section

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS
HISTORY AND ORGANIZATION

The Omnibus State Reorganization Act of 1974 created the Division of Youth Services within the Department of Social Services. Previously the Division of Youth Services had been known as the State Board of Training Schools. During the 1970's, systematic agency planning began which resulted in the de-emphasis of large rural institutions and the establishment of smaller treatment facilities. This enabled geographic regionalization where youth could be served closer to their homes.

During the 1990's, the division continued in the direction of regionalization and the expansion of the continuum of treatment services. An array of community based services was developed including day treatment, tracking, and case management. The Juvenile Crime Bill was passed in 1995 and included measures for determinate sentencing, granting the division the ability to petition for increased length of stay up to the age of twenty-one, removed the lower age limit for commitment, and provided for the development of dual jurisdiction.

The Division of Youth Services is administered by a director who is appointed by the director of the Department of Social Services. Mark D. Steward has been the director since May 6, 1988.

The agency provides services to youth committed from the 45 Judicial Circuit Courts in the state. The services include residential (secure, moderate, and community-based) and non-residential (tracking, day treatment, alternative living service, family therapy, and aftercare). All youth receive case management services and are assigned a service coordinator who ensures the assessment, treatment planning, and the coordination, monitoring, and evaluation of services occurs for all youth.

As of June 30, 1999, the division operated twenty nine residential facilities with a total of 663 beds and eleven non-residential facilities with a total of 225 day treatment slots.

As provided by Section 163.073, RSMo 1994, the Division of Youth Services is entitled to state aid for youth assigned to the division's facilities which have an education program approved by the Department of Elementary and Secondary Education. The state aid payments are based on the number of full-time equivalent students and the average daily attendance. The Division of Youth Services received $1,923,054 and $1,739,088 from the Department of Elementary and Secondary Education for the years ended June 30, 1999 and 1998, respectively.

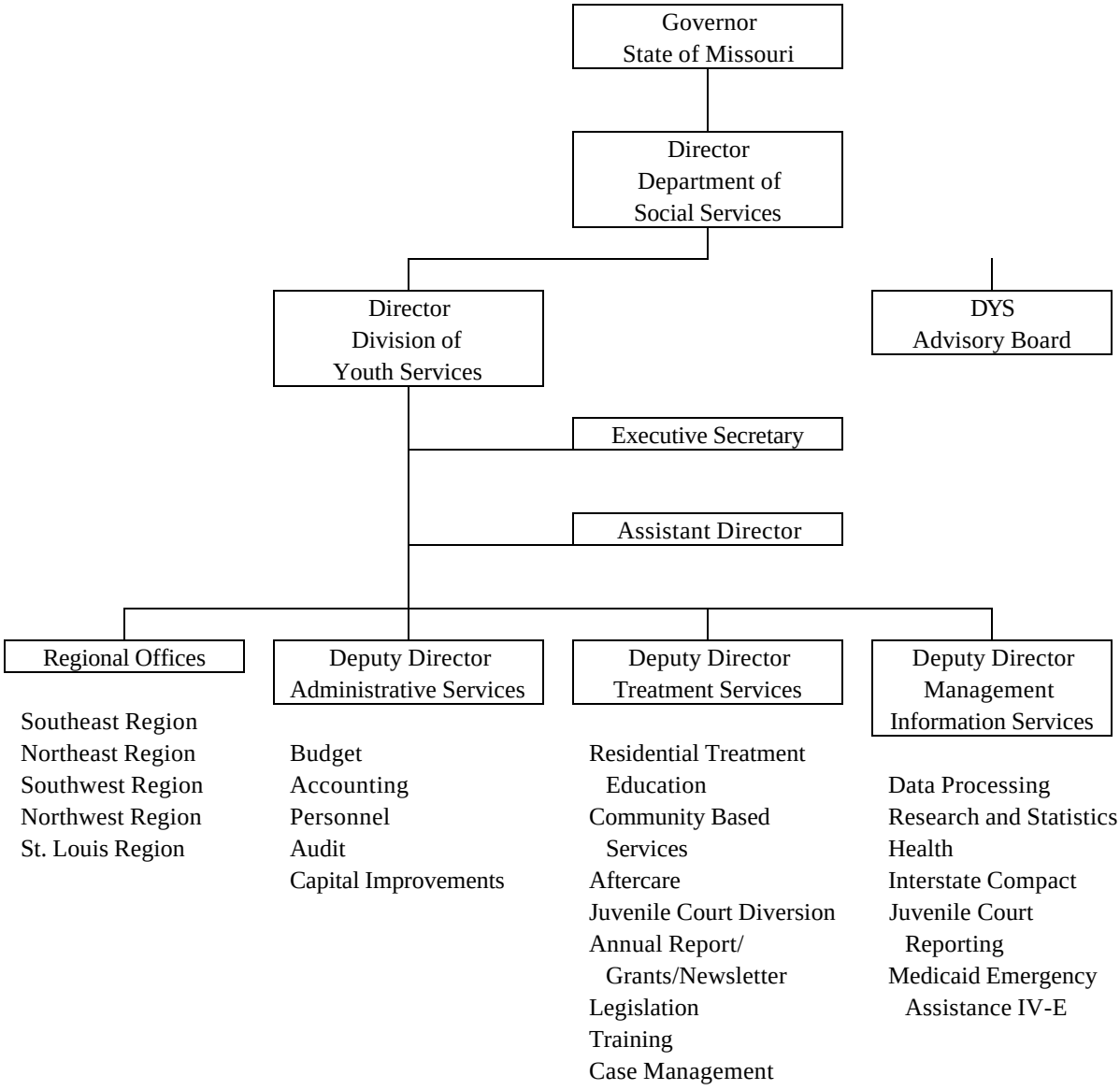
Teachers typically record daily attendance for each of their classes. Their attendance is then submitted to the school secretary who enters the attendance into the Division of Youth Services computer information system. The Division of Youth Services uses the attendance from the computer system to prepare the Application for State School Money, which is submitted to the Department of Elementary and Secondary Education.

On the Application for State School Money, the Division of Youth Services reported 969,053, and 931,332 school attendance hours for the years ended June 30, 1999 and 1998, respectively. This calculates to 928 and 892 average daily attendance (total school attendance hours divided by 1,044 standard school attendance hours in a school year) in 1999 and 1998, respectively.

During the two years ended June 30, 1999, the division had forty-one facilities that offered education programs. As of June 30, 1999, the Division of Youth Services operated forty facilities of which thirty-nine had students. The actual student counts for these facilities were:

Facility with Education Program	Actual Student Count at June 30, 1999
Alternative Resource Center (Kansas City)	4
Camp Avery Park Camp (Troy)	29
Babler Lodge (Chesterfield)	16
Delmina Woods (Forsyth)	26
Echo Program - Day Treatment (Cape Girardeau)	6
Bissell Hall (St. Louis)	18
Spanish Lake Campus (St. Louis)	22
Twin Rivers Campus (St. Louis)	24
New Madrid Treatment Center (New Madrid)	10
Rich Hill Treatment Center (Rich Hill)	16
Sierra/Osage Treatment Center (Poplar Bluff)	23
Watkins Mill Park Camp (Lawson)	49
Gentry Residential Treatment (Cabool)	7
Reach - Day Treatment (St. Louis)	8
Star - Day Treatment (Kansas City)	25
Quest - Day Treatment (St. Charles)	13
New Day - Day Treatment Center (Arnold)	5
St. Louis County - Day Treatment (St. Ann)	9
Sikeston Day Treatment (Sikeston)	7
Gateway School - Day Treatment (Joplin)	6
Excel School - Day Treatment (Springfield)	12
Alpha School (Columbia)	10
Langsford House (Lee's Summit)	12
Datema House (Springfield)	12
Wilson Creek Group Home (Springfield)	12
Lewis & Clark Hall (St. Louis)	10
Cornerstone (Columbia)	8
Community Learning Center (Springfield)	6
Northeast Community Treatment Center (Mexico)	11
Girardot Center for Youth and Families (Cape Girardeau)	17
Northwest Regional Youth Center (Kansas City)	28
Hogan Street Regional Youth Center (St. Louis)	33
Riverbend Treatment Center (St. Joseph)	8
Fort Bellefontaine Campus (St. Louis)	21
Montgomery City Youth Center (Montgomery City)	20
Fulton Treatment Center (Fulton)	28
W. E. Sears Youth Center (Poplar Bluff)	54
Mt. Vernon Facility (Mt. Vernon)	23
Waverly Regional Youth Center (Waverly)	43
Total	691

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS
ORGANIZATION CHART
JUNE 30, 1999



Appendix

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS
SCHEDULE OF SCHOOL ATTENDANCE HOURS

	Year Ended June 30,	
	1999	1998
Alternative Resource Center (Kansas City)	9,671	9,209
Camp Avery Park Camp (Troy)	45,869	48,000
Babler Lodge (Chesterfield)	24,692	27,539
Delmina Woods (Forsyth)	29,744	29,326
Echo Program - Day Treatment (Cape Girardeau)	12,099	11,420
Bissell Hall (St. Louis)	31,257	31,680
Spanish Lake Campus (St. Louis)	28,622	31,353
Twin Rivers Campus (St. Louis)	31,338	33,081
New Madrid Treatment Center (New Madrid)	2,525	0
Rich Hill Treatment Center (Rich Hill)	12,706	0
Sierra/Osage Treatment Center (Poplar Bluff)	31,449	32,569
Watkins Mill Park Camp (Lawson)	73,770	81,298
Gentry Residential Treatment (Cabool)	3,290	0
Reach - Day Treatment (St. Louis)	9,593	9,774
Star - Day Treatment (Kansas City)	14,342	14,635
Quest - Day Treatment (St. Charles)	22,988	21,862
New Day - Day Treatment Center (Arnold)	32,455	27,521
St. Louis County - Day Treatment (St. Ann)	14,981	12,145
Sikeston Day Treatment (Sikeston)	13,333	1,472
Gateway School - Day Treatment (Joplin)	12,587	10,028
Excel School - Day Treatment (Springfield)	23,213	24,512
Alpha School (Columbia)	7,815	8,486
Langsford House (Lees Summit)	14,142	16,579
Datema House (Springfield)	13,027	12,871
Wilson Creek Group Home (Springfield)	15,357	14,253
Lewis & Clark Hall (St. Louis)	12,695	16,247
Cornerstone (Columbia)	12,498	15,192
Community Learning Center (Springfield)	9,249	11,012
Northeast Community Treatment Center (Mexico)	12,504	13,705
Girardot Center for Youth and Families (Cape Girardeau)	28,543	28,133
Green Gables (Macks Creek)	9,756	10,692
Northwest Regional Youth Center (Kansas City)	42,556	47,986
Special Treatment Unit (Fulton)	17,912	21,297
Hogan Street Regional Youth Center (St. Louis)	42,930	40,886
Riverbend Treatment Center (St. Joseph)	498	0
Fort Bellefontaine Campus (St. Louis)	26,081	28,432
Montgomery City Youth Center (Montgomery City)	8,376	0
Fulton Treatment Center (Fulton)	38,162	29,167
W. E. Sears Youth Center (Poplar Bluff)	81,085	84,487
Mt. Vernon Facility (Mt. Vernon)	31,873	4,631
Waverly Regional Youth Center (Waverly)	63,470	69,852
Total School Attendance Hours	969,053	931,332

AUDIT REPORT

DALLAS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-106
November 8, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Dallas, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Dallas County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

DALLAS COUNTY, MISSOURI

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DALLAS COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Dallas County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Dallas County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Dallas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Dallas County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Dallas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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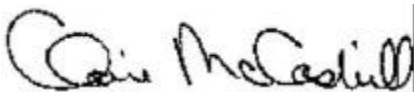
Dallas County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will be year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 11, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

August 11, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Dallas County, Missouri

We have audited the special-purpose financial statements of various funds of Dallas County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated August 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Dallas County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Dallas County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

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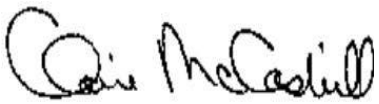
in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Dallas County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

August 11, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

DALLAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 227,599	893,955	872,864	248,690
Special Road and Bridge	545,974	872,378	1,162,391	255,961
Assessment	3,720	146,186	147,223	2,683
Law Enforcement Training	3,029	7,664	7,675	3,018
Prosecuting Attorney Training	1,633	1,475	2,876	232
Capital Improvements Sales Tax	166,743	463,100	543,537	86,306
Law Enforcement Sales Tax	28,098	694,431	655,511	67,018
Prosecuting Attorney Bad Check	1,733	7,472	8,612	593
Prosecuting Attorney Tax Collection	455	29	464	20
Domestic Violence	35	585	435	185
Jury	203	11,831	11,617	417
Local Emergency Planning Committee	4,437	3,083	3,953	3,567
Law Enforcement Civil Fees	7,896	12,161	17,159	2,898
Health Center	137,456	296,948	297,726	136,678
Circuit Clerk Interest	2,213	1,523	1,442	2,294
Record Storage	30,918	9,819	10,231	30,506
Associate Circuit Division Interest	2,692	2,493	564	4,621
Law Library	3,511	5,653	7,699	1,465
Total	$ 1,168,345	3,430,786	3,751,979	847,152

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DALLAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	578,721	867,980	1,219,102	227,599
Special Road and Bridge		456,420	833,825	744,271	545,974
Assessment		1,156	164,386	161,822	3,720
Law Enforcement Training		3,094	4,008	4,073	3,029
Prosecuting Attorney Training		1,027	1,763	1,157	1,633
Capital Improvements Sales Tax		40,775	446,925	320,957	166,743
Law Enforcement Sales Tax		4,013	661,517	637,432	28,098
Prosecuting Attorney Bad Check		4,552	5,793	8,612	1,733
Prosecuting Attorney Tax Collection		1,410	404	1,359	455
Domestic Violence		35	620	620	35
Jury		734	13,000	13,531	203
Local Emergency Planning Committee		2,725	2,874	1,162	4,437
Law Enforcement Civil Fees		0	7,896	0	7,896
Health Center		137,814	347,707	348,065	137,456
Circuit Clerk Interest		7,770	892	6,449	2,213
Record Storage		21,831	9,087	0	30,918
Associate Circuit Division Interest		432	3,458	1,198	2,692
Law Library		2,829	4,596	3,914	3,511
Total	$	1,265,338	3,376,731	3,473,724	1,168,345

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 12,700	16,071	3,371	16,100	14,093	-2,007
Sales taxes	440,000	455,336	15,336	425,000	438,951	13,951
Intergovernmental	125,619	87,636	-37,983	87,500	109,860	22,360
Charges for services	265,400	299,135	33,735	194,000	229,634	35,634
Interest	25,000	14,850	-10,150	30,000	27,718	-2,282
Other	20,917	12,315	-8,602	42,795	15,787	-27,008
Transfers in	35,000	8,612	-26,388	30,325	31,937	1,612
Total Receipts	924,636	893,955	#VALUE!	825,720	867,980	#VALUE!
DISBURSEMENTS						
County Commission	55,950	56,571	-621	55,300	54,739	561
County Clerk	56,118	55,298	820	52,690	52,298	392
Elections	46,890	31,308	15,582	16,900	13,711	3,189
Buildings and grounds	97,474	97,246	228	529,900	471,253	58,647
Employee fringe benefits	72,650	71,652	998	56,200	54,084	2,116
County Treasurer	26,240	25,839	401	24,907	21,979	2,928
County Collector	75,968	70,698	5,270	66,140	66,281	-141
Circuit Clerk	49,064	40,065	8,999	44,640	38,349	6,291
Associate Circuit Court	61,400	56,557	4,843	21,600	18,233	3,367
Court administration	10,435	9,380	1,055	10,982	15,405	-4,423
Public Administrator	40,450	40,561	-111	11,650	12,061	-411
Jail	2,000	1,744	256	1,500	1,590	-90
Prosecuting Attorney	72,550	72,408	142	69,000	68,962	38
Juvenile Officer	125,905	130,213	-4,308	101,680	111,739	-10,059
County Coroner	26,327	9,325	17,002	19,277	12,916	6,361
Insurance	17,000	10,790	6,210	15,000	15,397	-397
University extension council	28,000	28,000	0	26,825	26,825	0
Other	27,305	19,009	8,296	30,011	26,880	3,131
Transfers out	46,400	46,200	200	25,000	136,400	-111,400
Emergency Fund	28,000	0	28,000	40,000	0	40,000
Total Disbursements	966,126	872,864	93,262	1,219,202	1,219,102	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	-41,490	21,091	#VALUE!	-393,482	-351,122	#VALUE!
CASH, JANUARY 1	227,599	227,599	0	578,721	578,721	0
CASH, DECEMBER 31	$ 186,109	248,690	#VALUE!	185,239	227,599	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 235,600	224,645	-10,955	203,000	204,393	1,393
Intergovernmental	603,000	602,989	-11	541,000	585,978	44,978
Charges for services	6,000	8,585	2,585	8,500	5,978	-2,522
Interest	32,000	32,657	657	25,000	31,348	6,348
Other	3,000	3,502	502	0	6,128	6,128
Total Receipts	879,600	872,378	-7,222	777,500	833,825	56,325
DISBURSEMENTS						
Salaries	380,900	377,959	2,941	350,218	358,373	-8,155
Employee fringe benefits	89,640	97,624	-7,984	85,450	82,171	3,279
Supplies	104,500	82,215	22,285	94,500	96,181	-1,681
Insurance	18,000	14,278	3,722	18,000	13,586	4,414
Road and bridge materials	528,500	408,864	119,636	111,000	75,620	35,380
Equipment repairs	70,000	87,276	-17,276	10,000	27,846	-17,846
Equipment purchases	70,000	88,308	-18,308	42,000	61,874	-19,874
Other	12,500	5,867	6,633	12,500	5,295	7,205
Transfers out	26,388	0	26,388	23,325	23,325	0
Total Disbursements	1,300,428	1,162,391	138,037	746,993	744,271	2,722
RECEIPTS OVER (UNDER) DISBURSEMENTS	-420,828	-290,013	130,815	30,507	89,554	59,047
CASH, JANUARY 1	545,974	545,974	0	456,420	456,420	0
CASH, DECEMBER 31	$ 125,146	255,961	130,815	486,927	545,974	59,047

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 108,000	108,939	939	89,682	89,526	-156
Interest	500	624	124	600	583	-17
Other	1,900	2,223	323	1,000	877	-123
Transfers in	36,400	34,400	-2,000	73,400	73,400	0
Total Receipts	146,800	146,186	-614	164,682	164,386	-296
DISBURSEMENTS						
Assessor	149,775	147,223	2,552	161,844	161,822	22
Total Disbursements	149,775	147,223	2,552	161,844	161,822	22
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,975	-1,037	1,938	2,838	2,564	-274
CASH, JANUARY 1	3,720	3,720	0	1,156	1,156	0
CASH, DECEMBER 31	$ 745	2,683	1,938	3,994	3,720	-274

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	1,761	1,761	0	0	0
Charges for services	7,500	5,903	-1,597	3,000	4,008	1,008
Total Receipts	7,500	7,664	164	0 3,000	4,008	1,008
DISBURSEMENTS						
Sheriff	8,555	7,675	880	5,900	4,073	1,827
Total Disbursements	8,555	7,675	880	5,900	4,073	1,827
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,055	-11	1,044	-2,900	-65	2,835
CASH, JANUARY 1	3,029	3,029	0	3,094	3,094	0
CASH, DECEMBER 31	$ 1,974	3,018	1,044	194	3,029	2,835

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,800	1,475	-325	1,860	1,763	-97
Total Receipts	1,800	1,475	-325	1,860	1,763	-97
DISBURSEMENTS						
Prosecuting Attorney	2,950	924	2,026	1,539	1,157	382
Transfers out	0	1,952	-1,952	0	0	0
Total Disbursements	2,950	2,876	74	1,539	1,157	382
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,150	-1,401	-251	321	606	285
CASH, JANUARY 1	1,633	1,633	0	1,027	1,027	0
CASH, DECEMBER 31	$ 483	232	-251	1,348	1,633	285

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 440,000	455,337	15,337	425,000	438,951	13,951
Interest	8,000	7,763	-237	5,000	7,776	2,776
Other	0	0	0	500	198	-302
Total Receipts	448,000	463,100	15,100	430,500	446,925	16,425
DISBURSEMENTS						
Road and bridge materials	383,000	400,425	-17,425	323,000	259,277	63,723
Contract labor	3,150	0	3,150	0	3,153	-3,153
Equipment purchases	184,800	104,132	80,668	8,500	32,108	-23,608
Bridge construction	30,000	38,270	-8,270	20,000	26,346	-6,346
Other	2,000	710	1,290	1,500	73	1,427
Total Disbursements	602,950	543,537	59,413	353,000	320,957	32,043
RECEIPTS OVER (UNDER) DISBURSEMENTS	-154,950	-80,437	74,513	77,500	125,968	48,468
CASH, JANUARY 1	166,743	166,743	0	40,775	40,775	0
CASH, DECEMBER 31	$ 11,793	86,306	74,513	118,275	166,743	48,468

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 454,000	455,303	1,303	425,000	438,951	13,951
Intergovernmental	57,500	60,569	3,069	28,050	65,074	37,024
Charges for services	133,435	145,196	11,761	127,300	86,089	-41,211
Interest	1,800	3,933	2,133	1,700	1,970	270
Other	21,000	21,430	430	17,950	19,433	1,483
Transfers in	8,000	8,000	0	50,000	50,000	0
Total Receipts	675,735	694,431	18,696	650,000	661,517	11,517
DISBURSEMENTS						
Salaries	434,123	397,051	37,072	409,590	402,939	6,651
Office expenditures	6,300	9,304	-3,004	9,000	9,572	-572
Equipment	46,645	48,009	-1,364	25,500	23,453	2,047
Mileage and training	9,500	15,508	-6,008	11,500	10,288	1,212
Jail operations	47,177	43,073	4,104	35,993	53,573	-17,580
Prisoner cost	33,000	38,837	-5,837	34,367	35,639	-1,272
Jail equipment and repairs	6,050	4,226	1,824	6,050	4,337	1,713
Other	2,000	3,503	-1,503	10,000	1,631	8,369
Debt service	96,000	96,000	0	96,000	96,000	0
Total Disbursements	680,795	655,511	25,284	638,000	637,432	568
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,060	38,920	43,980	12,000	24,085	12,085
CASH, JANUARY 1	28,098	28,098	0	4,013	4,013	0
CASH, DECEMBER 31	$ 23,038	67,018	43,980	16,013	28,098	12,085

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 7,000	5,005	-1,995	7,300	5,659	-1,641
Interest	150	51	-99	165	134	-31
Transfers in	0	2,416	2,416	0	0	0
Total Receipts	7,150	7,472	322	7,465	5,793	-1,672
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	1,605	0	1,605
Transfers out	8,612	8,612	0	8,612	8,612	0
Total Disbursements	8,612	8,612	0	10,217	8,612	1,605
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,462	-1,140	322	-2,752	-2,819	-67
CASH, JANUARY 1	1,733	1,733	0	4,552	4,552	0
CASH, DECEMBER 31	$ 271	593	322	1,800	1,733	-67

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TAX COLLECTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 350	15	-335	400	353	-47
Interest	50	14	-36	30	51	21
Total Receipts	400	29	-371	430	404	-26
DISBURSEMENTS						
Prosecuting Attorney	700	0	700	1,375	1,359	16
Transfers out	0	464	-464	0	0	0
Total Disbursements	700	464	236	1,375	1,359	16
RECEIPTS OVER (UNDER) DISBURSEMENTS	-300	-435	-135	-945	-955	-10
CASH, JANUARY 1	455	455	0	1,410	1,410	0
CASH, DECEMBER 31	$ 155	20	-135	465	455	-10

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charge for services	$ 1,000	585	-415	500	620	120
Total Receipts	1,000	585	-415	500	620	120
DISBURSEMENTS						
Domestic violence shelter	1,000	435	565	535	620	-85
Total Disbursements	1,000	435	565	535	620	-85
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	150	150	-35	0	35
CASH, JANUARY 1	35	35	0	35	35	0
CASH, DECEMBER 31	$ 35	185	150	0	35	35

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JURY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 0	31	31	0	0	0
Transfers in	7,000	11,800	4,800	2,000	13,000	11,000
Total Receipts	7,000	11,831	4,831	2,000	13,000	11,000
DISBURSEMENTS						
Jury script	7,000	11,617	-4,617	2,500	13,531	-11,031
Total Disbursements	7,000	11,617	-4,617	2,500	13,531	-11,031
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	214	214	-500	-531	-31
CASH, JANUARY 1	203	203	0	734	734	0
CASH, DECEMBER 31	$ 203	417	214	234	203	-31

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	3,083	3,083	1,000	2,874	1,874
Total Receipts	0	3,083	3,083	1,000	2,874	1,874
DISBURSEMENTS						
Local emergency planning	4,350	3,953	397	2,300	1,162	1,138
Total Disbursements	4,350	3,953	397	2,300	1,162	1,138
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,350	-870	3,480	-1,300	1,712	3,012
CASH, JANUARY 1	4,437	4,437	0	2,725	2,725	0
CASH, DECEMBER 31	$ 87	3,567	3,480	1,425	4,437	3,012

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

DALLAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 15,600	12,161	-3,439
Total Receipts	15,600	12,161	-3,439
DISBURSEMENTS			
Sheriff	20,712	9,159	11,553
Transfers out	0	8,000	-8,000
Total Disbursements	20,712	17,159	3,553
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,112	-4,998	114
CASH, JANUARY 1	7,896	7,896	0
CASH, DECEMBER 31	$ 2,784	2,898	114

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 83,500	86,311	2,811	75,800	76,553	753
Intergovernmental	239,350	181,003	-58,347	208,573	219,226	10,653
Charges for services	12,225	9,632	-2,593	27,500	20,311	-7,189
Interest	9,000	7,894	-1,106	9,500	8,197	-1,303
Other	19,700	12,108	-7,592	28,424	23,420	-5,004
Total Receipts	363,775	296,948	-66,827	349,797	347,707	-2,090
DISBURSEMENTS						
Salaries	278,700	228,888	49,812	266,100	258,749	7,351
Office expenditures	30,665	26,848	3,817	20,015	28,874	-8,859
Equipment	2,650	687	1,963	2,100	1,057	1,043
Mileage and training	8,100	3,089	5,011	9,500	9,195	305
Other	41,150	38,214	2,936	65,465	50,190	15,275
Total Disbursements	361,265	297,726	63,539	363,180	348,065	15,115
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,510	-778	-3,288	-13,383	-358	13,025
CASH, JANUARY 1	137,456	137,456	0	137,814	137,814	0
CASH, DECEMBER 31	$ 139,966	136,678	-3,288	124,431	137,456	13,025

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	0	1,523	1,523	3,275	892	-2,383
Total Receipts	0	1,523	1,523	3,275	892	-2,383
DISBURSEMENTS						
Circuit Clerk	500	1,442	-942	8,000	6,449	1,551
Total Disbursements	500	1,442	-942	8,000	6,449	1,551
RECEIPTS OVER (UNDER) DISBURSEMENTS	-500	81	581	-4,725	-5,557	-832
CASH, JANUARY 1	2,213	2,213	0	7,770	7,770	0
CASH, DECEMBER 31 $	1,713	2,294	581	3,045	2,213	-832

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

DALLAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER STORAGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 0	8,612	8,612	8,800	8,055	-745
Interest	0	1,207	1,207	650	1,032	382
Total Receipts	0	9,819	9,819	9,450	9,087	-363
DISBURSEMENTS						
Ex Officio Recorder of Deeds	28,000	10,231	17,769	22,500	0	22,500
Total Disbursements	28,000	10,231	17,769	22,500	0	22,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-28,000	-412	27,588	-13,050	9,087	22,137
CASH, JANUARY 1	30,918	30,918	0	21,831	21,831	0
CASH, DECEMBER 31	$ 2,918	30,506	27,588	8,781	30,918	22,137

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

DALLAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 800	2,493	1,693
Total Receipts	800	2,493	1,693
DISBURSEMENTS			
Associate Circuit Division	600	564	36
Total Disbursements	600	564	36
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	1,929	1,729
CASH, JANUARY 1	2,692	2,692	0
CASH, DECEMBER 31	$ 2,892	4,621	1,729

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Dallas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Enforcement Civil Fees Fund	1997
Associate Circuit Division Interest Fund	1997
Law Library Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the Jury Fund in 1998 and 1997, Circuit Clerk Interest Fund in 1998, and the Domestic Violence Fund in 1997. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Bad Check Fund	1998 and 1997
Prosecuting Attorney Tax Collection Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Recorder Storage Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998
Law Library Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The deposits of the Health Center Board at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal

of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $258,348 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $118,262. As of December 31, 1998, $51,082 remains to be paid.

Schedule

DALLAS COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings

DALLAS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

SECTION ON OTHER MATTERS

DALLAS COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Dallas County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated August 11, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Dallas County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. County Expenditures

   The Prosecuting Attorney operates the county prosecuting attorney's office from her private law office. The county does not have a written agreement with the Prosecuting Attorney outlining what office, personnel and equipment costs will be provided by the county and what costs will be provided by the Prosecuting Attorney's private practice.

2. Personnel Policy

   The county's personnel policy for vacation and sick leave addresses only full-time employees; however, the county allows some part-time employees to earn vacation and sick leave.

3. Fuel Usage and Controls

   Fuel usage and meter reading logs are not maintained for county road and bridge vehicles and fuel tanks. All road and bridge employees have access to county road and bridge buildings and fuel tanks. While fuel usage logs are maintained for Sheriff Department vehicles, these logs are not reconciled to fuel purchased.

4. Health Center Policies and Procedures

   Beginning and ending actual cash balances for the year ended December 31, 1998, were incorrectly reported on the 1999 budget and the health center had not established procedures to ensure their accuracy.

As of August 1999, bank reconciliations had not been performed since February 1999. Receipts are not recorded on accounting records until deposits are made, and receipts are not deposited daily or when accumulated receipts exceed $100. In addition, receipts and petty cash fund monies are not maintained in a secure location.

Standard prenumbered sanitation permit forms are not always used, and a log of permits and inspections is not maintained.

The health center does not have a written depositary agreement with the bank.

The health center's checks require two signatures, a board member's and the administrator's; however, checks are occasionally signed in advance. Adequate supporting documentation was not retained for some expenditures, and some invoices were not canceled to prevent reuse.

Time sheets are not always prepared by employees of the health center, and some time sheets prepared were not signed by employees or approved by the administrator. Time sheets and leave records did not always accurately report hours worked and leave taken and earned.

Property records are not always complete and do not include some necessary information, such as acquisition date, serial number, cost, and date and method of disposal. In addition, the property records do not include the cost of land and buildings.

This Letter on Other Matters is intended for the information of the management of Dallas County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

THIRTEENTH JUDICIAL CIRCUIT

BOONE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-105
November 8, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

FACT SHEET

During our audit of the Thirteenth Judicial Circuit in Boone County, Missouri, we identified certain management practices which we believe could be improved.

Missouri state law allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. State law requires such bills to be submitted to the state's Office of Administration within two years of the date of judgement and sentence.

Our review of the handling of these billings disclosed the Circuit Clerk does not submit criminal cost billings to the state for incarceration costs related to defendants where the court retained the option of granting probation to the defendant after 120 days.

During the period from January 1996 through September 1999, the court handled seventy-nine such cases, involving billable costs totaling $48,110. As of October 1, 1999, thirty-one of these cases, involving billable costs of $20,330, exceeded the two-year time limit and this amount represents revenue lost to the county. The remaining cases, involving billable costs of approximately $27,780, were still billable as of October 1, 1999. The State Auditor recommended that the Circuit Clerk take timely action to ensure the billable costs related to these cases are billed before the two-year limit expires.

In response to the finding, the Circuit Clerk indicated that action has now been taken to bill the state for these cases.

In another finding, the State Auditor noted the Juvenile Office has not established adequate procedures to follow-up on checks which are outstanding for a considerable length of time. At December 31, 1998, we noted twenty-four checks totaling $2,848 and four checks totaling $565 written on the restitution and family preservation accounts respectively, which had been outstanding for more than one year. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If the payees cannot be located, the amounts should be disposed of in accordance to state statute.

We also noted that receipts of the restitution account are not deposited on a timely basis and bank reconciliations for this account were not always performed.

(over)

<u>NOTE</u>: Prior to the above mentioned audit and the release of this report, a Special Review of Boone County Circuit Court in April 1995 pointed out that $143,006 was missing as a result of a scheme involving the altering of both computer and manual records. In numerous instances, cash received by the court was recorded, however, some money orders and checks received by the court were not recorded. These unrecorded receipts were substituted for recorded cash when deposits were made. The State Auditor's Office at the time recommended the Circuit Clerk continue to work with the Prosecuting Attorney's Office and the Sheriff's Office regarding any criminal prosecution and take other necessary actions to obtain restitution of the money.

Since the release of this Special Review, the former account clerk has pled guilty to felony stealing charges. To date, the Circuit Clerk has obtained restitution of $3,546. Further restitution was not ordered as a part of the sentence and the judicial circuit obtained a $5,000 settlement on its filing against the former employee's bond.

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Thirteenth Judicial Circuit
Boone County, Missouri

We have audited the accompanying special-purpose financial statements of the various funds of the Thirteenth Judicial Circuit, Boone County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the various funds of the Thirteenth Judicial Circuit, Boone County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the judicial circuit.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the various funds of the Thirteenth Judicial Circuit, Boone County, Missouri, as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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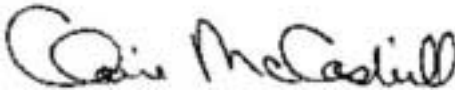
The Thirteenth Judicial Circuit, Boone County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the judicial circuit is or will become year 2000-compliant, that the judicial circuit's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the judicial circuit does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 12, 1999, on our consideration of the Thirteenth Judicial Circuit, Boone County, Missouri, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, Boone County, and the Thirteenth Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

October 12, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Thirteenth Judicial Circuit
Boone County, Missouri

We have audited the special-purpose financial statements of the various funds of the Thirteenth Judicial Circuit, Boone County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated October 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various funds of the Thirteenth Judicial Circuit, Boone County, Missouri, are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various funds of the Thirteenth Judicial Circuit, Boone County, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that,

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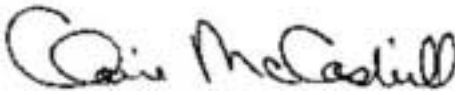
in our judgment, could adversely affect the judicial circuit's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Thirteenth Judicial Circuit, Boone County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

October 12, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31,1998

	Circuit Division Fund	Probate Division Fund	Law Library Fund	Juvenile Office Fund	Jury Fund	Total (Memorandum Only)
RECEIPTS						
Court deposits, fees, bonds, and other	$ 4,962,888	119,327	20,224	38,973	48,920	5,190,332
Child support	9,436,548	0	0	0	0	9,436,548
Executions and garnishments	988,034	0	0	0	0	988,034
Interest income	61,035	1,492	1,229	907	0	64,663
Total Receipts	15,448,505	120,819	21,453	39,880	48,920	#VALUE!
DISBURSEMENTS						
State of Missouri:						
Court fees	431,564	44,391	0	0	0	475,955
County officials	1,244,782	14,741	0	0	0	1,259,523
Child support	9,438,473	0	0	0	0	9,438,473
Supplies and equipment	0	0	11,783	0	0	11,783
Refunds and other	4,010,584	54,197	0	37,813	49,823	4,152,417
Total Disbursements	15,125,403	113,329	11,783	37,813	49,823	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS	323,102	7,490	9,670	2,067	-903	#VALUE!
CASH, JANUARY 1	537,919	23,203	20,537	20,722	-773	601,608
CASH, DECEMBER 31	$ 861,021	30,693	30,207	22,789	-1,676	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

	Circuit Division Fund	Probate Division Fund	Law Library Fund	Juvenile Office Fund	Jury Fund	Total (Memorandum Only)
RECEIPTS						
Court deposits, fees, bonds, and other	$ 2,713,683	162,938	20,738	43,170	53,456	2,993,985
Child support	8,789,204	0	0	0	0	8,789,204
Executions and garnishments	1,007,062	0	0	0	0	1,007,062
Interest income	35,368	1,438	750	779	0	38,335
Total Receipts	12,545,317	164,376	21,488	43,949	53,456	12,828,586
DISBURSEMENTS						
State of Missouri:						
Court fees	406,834	74,042	0	0	0	480,876
County officials	962,697	32,358	0	0	0	995,055
Child support	8,717,101	0	0	0	0	8,717,101
Supplies and equipment	0	0	8,700	0	0	8,700
Refunds and other	2,366,642	54,770	0	42,893	52,822	2,517,127
Total Disbursements	12,453,274	161,170	8,700	42,893	52,822	12,718,859
RECEIPTS OVER (UNDER) DISBURSEMENT	92,043	3,206	12,788	1,056	634	109,727
CASH, JANUARY 1	445,876	19,997	7,749	19,666	-1,407	491,881
CASH, DECEMBER 31	$ 537,919	23,203	20,537	20,722	-773	601,608

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements presented only selected data for each fund of the Thirteenth Judicial Circuit, Boone County, Missouri.

Receipts, disbursements, and changes in cash are presented for the various funds administered by the Thirteenth Judicial Circuit, Boone County, Missouri. The operating costs of the offices within the circuit are paid directly from appropriations authorized by the County Commissions within the judicial circuit and the state of Missouri and are not included in these financial statements. The funds administered by the circuit officials located in Callaway County are reported on separately.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash for the Thirteenth Judicial Circuit, Boone County, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Thirteenth Judicial Circuit, Boone County, Missouri, includes the transactions of the Circuit Division, the Probate Division, the Juvenile Office, the Law Library, and the Jury Fund. Each officeholder has been charged with the responsibility of administering the transactions in his or her division. The Circuit Clerk has been charged with the responsibility of administering the transactions of the circuit and associate circuit divisions. The Probate Division Clerk has been charged with the responsibility of administering the transactions of the Probate Division. The court en banc has appointed the Presiding Judge's secretary as the law library treasurer and custodian, who is responsible for administering the transactions of the Law Library Fund. The Chief Juvenile Officer has been charged with the responsibility of administering the transactions of the juvenile office. The Court Security Supervisor

has been charged with the responsibility of administering the transactions of the Jury Fund.

The Thirteenth Judicial Circuit, Boone County, Missouri, administers transactions within the following funds:

Circuit Division Fund: This fund accounts for the transactions of the Circuit Clerk's office and the associate circuit divisions. These transactions include receipts and disbursements of the civil; criminal and garnishment and executions; child support; and traffic accounts.

Probate Division Fund: This fund accounts for the transactions of the Probate Division. These transactions include receipts and disbursements of court deposits and fees.

Law Library Fund: This fund accounts for transactions of law library, including fees collected from Circuit Division deposits and the related interest income. Disbursements are legally restricted for maintenance of a law library.

Juvenile Office Fund: This fund accounts for transactions of the Juvenile Office. These transactions include receipts and disbursements of restitution payments, family court fees, family preservation monies, and drug testing fees.

Jury Fund: This fund accounts for receipts from the county's General Revenue Fund used for payments made to jurors for expenses, including per diem, mileage, and telephone charges.

2. Cash

Section 483.310, RSMo Cumulative Supp. 1998, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

The circuit court's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the name of Boone County, or by its agent in the county's name.

3. Deficit Balances

The deficit cash balances at December 31, 1998 and 1997 in the Jury Fund equal checks outstanding. As these checks are cashed, the depositary bank transfers funds from the county General Revenue Fund to the Jury Fund until a zero balance in the checking account is obtained.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Criminal Costs (pages 17-18)

   Criminal costs for cases totaling $48,110 had not been properly billed to the state.

2. Juvenile Office Accounting Controls and Procedures (pages 18-19)

   Checks totaling $3,413 have been outstanding for over a year. Receipts were not deposited in a timely manner and formal bank reconciliations were not always prepared for the restitution account. Also, monthly listings of open-items were not prepared for any of the three bank accounts.

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Thirteenth Judicial Circuit, Boone County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated October 12, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the judicial circuit's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Criminal Costs

Section 221.105, RSMo Cumulative Supp. 1998, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. Section 33.120, RSMo Cumulative Supp. 1998, requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgement or sentence. Our review of the Circuit Clerk's handling of these billings noted the Circuit Clerk does not submit criminal cost billings to the state for incarceration costs related to defendants where the court retained the option of granting probation to the defendant after 120 days pursuant to Section 159.115, RSMo Cumulative Supp. 1998, unless the defendant violates probation and returns to the Department of Corrections for the original sentenced period.

We determined the court handled seventy-nine such cases, involving unbilled incarceration costs totaling $48,110, during the period from January 1996 through September 1999. As of October 1, 1999, thirty-one of these cases, involving billable incarceration costs of $20,330, exceed the two-year limit. As a result, these costs cannot be billed to the state and the revenue has been lost to the county. The remaining forty-eight cases, involving billable costs of approximately $27,780, were still billable as of October 1, 1999. The Circuit Clerk should take timely action to ensure the billable costs related to these cases are billed to the state before the two-year limit expires.

To ensure criminal cost reimbursements received by the county are maximized, all allowable costs should be billed to the state in a timely manner.

WE RECOMMEND the Circuit Clerk take timely action to ensure any unbillable costs pertaining to 120 day cases are billed to the state before the two-year limit expires. In addition, in the future, the Circuit Clerk should ensure all billable criminal costs are billed to the state on a timely basis.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following response:

For all cases that were determined by your staff to be collectible, my office has submitted a bill of cost to the state.

2. Juvenile Office Accounting Controls and Procedures

A. The Juvenile Office has not established adequate procedures to follow-up on checks which are outstanding for a considerable length of time. At December 31, 1998, we noted twenty-four checks totaling $2,848 and four checks totaling $565 written on the restitution and family preservation accounts respectively, which had been outstanding for more than one year.

Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If the payees cannot be located, the amounts should be disposed of in accordance with Sections 447.500 through 447.595, RSMo 1994, as applicable.

B. Receipts of the restitution account are not deposited on a timely basis. Deposits are often made only once a month. For the time period reviewed, deposits for the restitution account usually ranged between $1,000 and $4,000. To adequately safeguard and reduce the risk of loss, theft, and misuse of funds, deposits should be made intact and daily.

C. The Juvenile Office did not perform formal monthly bank reconciliations for the restitution account from May 1997 through April 1998. Starting in May 1998, the Juvenile Office began preparing monthly reconciliations again; however, the Juvenile Office did not properly account for some old outstanding checks. As a result, the Juvenile Office incorrectly adjusted the checkbook balance and this balance has been overstated since that time.

Preparation of monthly bank reconciliations and the maintenance of an accurate running balance in the checkbook register is necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis.

D. Monthly listings of open-items (liabilities) are not prepared for any of the Juvenile Office's three bank accounts, and consequently, liabilities are not reconciled with the cash balances. Monthly listings of open-items should be prepared and reconciled to cash balances for each account to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors and allow the Juvenile Office to properly dispose of unclaimed monies.

WE RECOMMEND the Juvenile Office:

A. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed through the applicable statutory provisions. In addition, procedures to routinely review and reissue any old outstanding checks should be adopted.

B. Deposit all receipts intact daily or when accumulated receipts exceed $100.

C. Correct the inaccurate checkbook register balance currently being used and perform monthly bank reconciliations, reconciling them to the corrected cash balance.

D. Prepare monthly open-item listings and reconcile to the bank balances of each account. Differences between the open-items listings and the reconciled bank balances should be investigated.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur with the recommendations. We are in the process of implementing policies, procedures and practices to fulfill each recommendation. In this effort we have contracted with a CPA to aid us in implementing a new accounting software system and developing appropriate policies and procedures.

This report is intended for the information of the management of the Thirteenth Judicial Circuit, Boone County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Thirteenth Judicial Circuit, Boone County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1994 and the Special Review of Circuit Criminal and Traffic Division dated April 26, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the Thirteenth Judicial Circuit, Boone County, Missouri, should consider implementing these recommendations.

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI

1. Circuit Division

   A. The Circuit Division voided old outstanding checks and paid the related funds to the County Treasurer to the credit of the Unclaimed Fees Fund instead of to the state's Unclaimed Property Section.

   B. The monthly open-items (liabilities) listing was prepared by the Circuit Division indicating those cases on which there is a balance of fees collected. The listing included 648 cases for the civil account totaling $41,934 and 63 cases totaling $32,531 for which no monies had been received for over a year. Many of the cases last had money received on them prior to January 18, 1989.

   C. The Sheriff's department did not maintain adequate records to account for traffic tickets issued by its officers.

   Recommendation:

   The Circuit Division:

   A. Distribute funds related to old outstanding checks where the payee cannot be located to the state's Unclaimed Property Section. In addition, attempts should be made to determine the proper disposition of the unidentified monies.

   B. Periodically review older cases and determine the appropriate disposition of inactive cases.

   C. Work with the Sheriff's department to ensure traffic tickets are assigned in numerical sequence and that records are maintained to account for all tickets issued. A system should also be developed to account for the ultimate disposition of all traffic tickets.

Status:

A&C. Implemented.

B. Partially implemented. The Circuit Division has significantly reduced their number of old open cases and the related dollar amount. As of December 31, 1998, there were only 222 open cases totaling $21,245, down from the 648 cases totaling $41,934 that existed on December 31, 1994.

2. Probate Division

A monthly open-items (liabilities) listing was prepared by the Probate Clerk indicating those cases on which there is a balance of fees collected. The listing prepared as of December 31, 1994, included 55 cases totaling $10,448 for which monies had not been collected for over a year.

Recommendation:

The Probate Division periodically review cases included on the open-items listing and take appropriate follow-up action.

Status:

Implemented.

3. Juvenile Office

A. The Juvenile Office did not establish adequate procedures to follow-up on checks which are outstanding for a considerable length of time.

B. Prenumbered receipt slips were not issued for drug testing monies received from Callaway County. In addition, a receipt slip was not obtained when these monies were transmitted to the Director of Court Services and a record was not maintained documenting the individual transactions included in the transmittal.

C. Restitution monies along with assessment fees were deposited in a noninterest-bearing checking account.

Recommendation:

The Juvenile Office:

A. Forward funds related to old outstanding checks where the payee cannot be located to the state's Unclaimed Property Section.

B. Issue prenumbered receipt slips for all monies received and obtain receipt slips for monies remitted. In addition, the Juvenile Office should maintain a record identifying the receipt slips included in each transmittal.

C. Investigate the feasibility of investing restitution and assessment deposits in an interest-bearing account.

Status:

A. Not implemented. See MAR.

B. Partially implemented. While prenumbered receipt slips for all monies received are now issued and records are maintained to identify the receipt slips included in each transmittal, receipts slips are still not obtained for monies remitted. Although not repeated in the current MAR, the Juvenile Office should consider fully implementing this recommendation.

C. Partially implemented. The assessment deposits are now being placed in an interest-bearing account, however, the restitution deposits continue to be placed in an non-interest bearing account. Although not repeated in the current MAR, the Juvenile Office should consider fully implementing this recommendation.

4. Jury Fund

Funds obtained from voided old outstanding checks of the Jury Fund were placed with the County Treasurer instead of forwarding the amount to the state's Unclaimed Property Section.

Recommendation:

The Court Security forward a listing of old outstanding checks where the payee cannot be located to the County Treasurer and request the County Treasurer transfer these funds to the state's Unclaimed Property Section.

Status:

Implemented.

SPECIAL REVIEW OF CIRCUIT CRIMINAL AND TRAFFIC DIVISION

1. Missing Funds.

A cash shortage in the amount of $143,006 was noted.

Recommendation:

The Circuit Clerk continue to work with the Prosecuting Attorney's Office and the Sheriff's Office regarding any criminal prosecution and take any other necessary actions to obtain restitution of the $143,006.

Status:

Partially implemented. The former account clerk pled guilty to felony stealing charges. To date, the Circuit Clerk has obtained restitution of $3,546. Further restitution was not ordered as a part of the sentence and the judicial circuit obtained a $5,000 settlement on its filing against the former employee's bond.

2. Circuit Criminal and Traffic Division's Controls and Procedures

A. The duties of receiving, recording, reconciling, and preparing deposits for court monies were not adequately segregated.

B. Some receipts received for the payment of fines and court costs were not recorded and this went undetected because a reconciliation of the total monies received to the monies deposits was not performed.

C. Unnumbered receipt slips were used to record some cash payments. Some receipt slips could not be accounted for.

D. The numerical sequence of receipt slips were not accounted for.

E. Cash, checks, and money orders received were sometimes recorded as nonmonetary transactions or adjustments instead of receipts. The Circuit Criminal and Traffic Division did not obtain a report of the nonmonetary adjustments made to criminal and traffic cases to review the legitimacy of these nonmonetary adjustments.

Recommendation:

The Circuit Clerk:

A. Require the Circuit Criminal and Traffic Division to adequately segregate the duties of receiving, recording, reconciling, and preparing the deposits.

B. Continue to reconcile the totals of receipt slips issued, including the method of payment, to the receipts reports and to the deposits.

C. Retain all records in accordance with the Secretary of State record retention guidelines. In addition, all receipt slips should be prenumbered.

D. Account for the numerical sequence of receipt slips.

E. Continue to routinely obtain the nonmonetary adjustments reports and review the reports for the legitimacy of the transactions.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

THIRTEENTH JUDICIAL CIRCUIT
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Thirteenth Judicial Circuit consists of Boone County and Callaway County.

The Thirteenth Judicial Circuit consists of three circuit judges, four associate circuit judges, and one Family Court Commissioner. The court en banc consists of all the divisions of the circuit acting collectively. The circuit judges hear cases throughout the circuit. One circuit judge (elected by secret ballot of his peers) also serves as presiding circuit judge and is responsible for the administration of the circuit. Of the four associate circuit judges, two are located in Boone County and preside over the Division IV and V. The other two associate circuit judges are located in Callaway County, Division VI and VII.

In addition to the judges, the personnel of the Thirteenth Judicial Circuit, Boone County, Missouri include a circuit clerk, a probate division clerk, three court reporters, a court administrator, a juvenile officer, and approximately eighty-four other employees.

The Circuit Court in Boone County has a centralized filing system. The circuit clerk is responsible for the collection and disbursement of associate division fees and the maintenance of associate division case files in addition to the statutory duties as circuit clerk.

Circuit personnel located in Callaway County are not included in the scope of this audit, but are reported on separately.

The juvenile office home base is Boone County, but it also serves residents of Callaway County.

Operating Costs

The operating expenses for the Circuit Division IV and V, the Probate Division, and the Juvenile Justice Center are paid by Boone County. The operating expenses for Division I, II, III, and VIII, court reporters, and juvenile office are paid for by the various counties within the circuit based on the percentage of the county's population to the total circuit population.

The salaries of some court personnel and the juvenile officer are paid by the state of Missouri. The salaries of other court personnel and the remaining juvenile office personnel are paid by the various counties within the circuit some of which are based on a percentage of each county's population to the total circuit population. Callaway County utilizes Boone County's juvenile detention center and reimburses Boone County on a per diem basis.

Expenditures incurred for the Thirteenth Judicial Circuit, Boone County, Missouri, were obtained from the Boone County budget and information provided by the State Courts Administrator's Office and are as follows:

	Year Ended December 31,					
	1998			1997		
	State of Missouri - Personal Service	Boone County Personal Service	Boone County Expenses	State of Missouri - Personal Service	Boone County Personal Service	Boone County Expenses
Circuit Court	318,366 (1)	596,211	353,830	305,493 (1)	573,922	346,610
Circuit Clerk and Associate Circuit Division	941,219	116,426	173,164	886,893	111,936	167,700
Juvenile Office	36,146	609,988 (2)	122,516	27,427	586,121 (2)	117,581
Juvenile Justice Center	0	576,240 (2)	140,438	0	556,092 (2)	132,379
Jury Services	0	0	228,991	0	0	146,179
Family Court Commissioner	85,158	0	0	81,792	0	0
Court Reporter	130,269 (3)	0	0	123,714 (3)	0	0
	1,511,158	1,898,865	1,018,939	1,425,319	1,828,071	910,449

(1) Includes the salaries of all three Thirteenth Circuit Judges.

(2) Includes personnel service costs reimbursed by Callaway County

(3) Includes the salaries of all three Thirteenth Circuit Reporters.

Caseload and Time Standards Statistics

Caseload statistics of the filings and dispositions of the Thirteenth Judicial Circuit, Boone County, Missouri, provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

	Year Ended June 30,			
	1998		1997	
	Filings	Dispositions	Filings	Dispositions
Civil	5,501	5,347	5,719	5,650
Criminal	12,236	11,455	10,208	10,178
Juvenile	1,273	1,182	1,232	1,254
Probate	476	475	476	463
Total	19,486	18,459	17,635	17,545

Compliance by the Thirteenth Judicial Circuit, Boone County, Missouri, with time standards for disposition of certain types of cases, provided by the State Courts Administrator's Missouri Judicial Report for the year ended June 30, 1998, is as follows:

Type of Case	Time Standard	Thirteenth Judicial Circuit, Boone County, Missouri	State Total
Circuit Civil	90% in 18 months	80 %	79 %
	98% in 24 months	89	87
Domestic Relations	90% in 8 months	92	83
	98% in 12 months	97	90
Associate Civil	90% in 6 months	91	84
	98% in 12 months	99	95
Circuit Felony	90% in 8 months	97	85
	98% in 12 months	99	93
Associate Criminal	90% in 4 months	80	79
	98% in 6 months	95	89

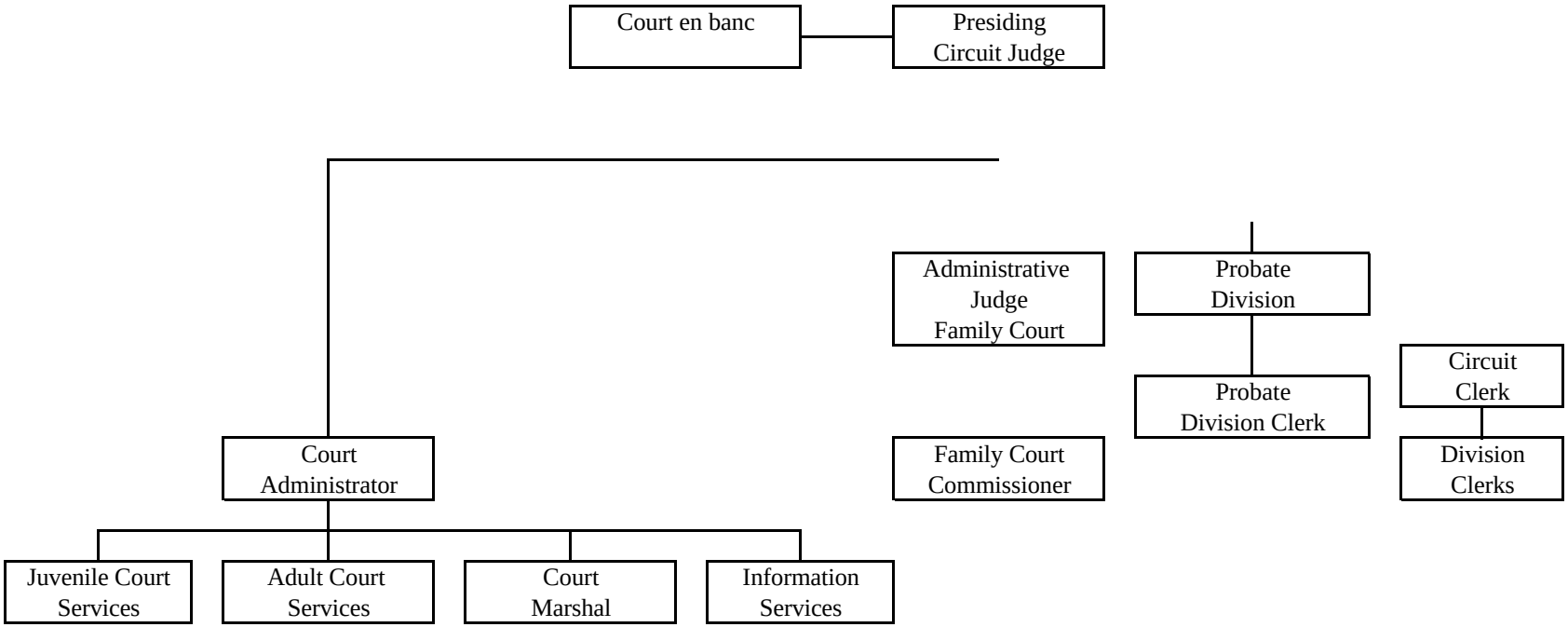
Personnel

At December 31, 1998, the judges, Circuit Clerk, and Juvenile Officer of the Thirteenth Judicial Circuit, Boone County, Missouri, were:

Gene Hamilton, Circuit Judge, Division I
Frank Conley, Presiding Circuit Judge, Division II
Ellen S. Roper, Circuit Judge, Division III
Jodie Asel, Associate Circuit Judge, Division IV
Larry Bryson, Associate Circuit Judge, Division V
Sara Miller, Family Court Commissioner, Division VIII
Cheryl Whitmarsh, Circuit Clerk
Lisa Smith, Juvenile Officer
Robert L. Perry, Court Administrator

An organization chart follows:

THIRTEENTH JUDICIAL CIRCUIT
BOONE COUNTY, MISSOURI
ADMINISTRATIVE ORGANIZATION CHART
DECEMBER 31, 1998



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PERFORMANCE AUDIT

AUDIT OF COMPLIANCE

WITH SUNSHINE LAW REQUIREMENTS

From The Office Of State Auditor
Claire McCaskill

Report No. 99-104
November 6, 1999

There is no assurance that political subdivisions would comply with the record request provisions of the Sunshine Law.

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 1999

An estimated 1,649 of 3,459 (47.6%) political subdivisions would not respond properly to requests for information under the provisions of the Sunshine Law.

The State Auditor's Office has a role to determine compliance with Missouri's laws. Because of recent citizen concerns and lawsuits over access to public records, we conducted a review of compliance with the Sunshine Law to determine if political subdivisions understood their responsibilities under the law.

We did not want to place an undue burden on the political subdivisions by causing them to engage in lengthy and costly record searches. We mailed a letter on plain paper making a simple request for the minutes to the last board meeting held in calendar year 1998. We also asked the political subdivisions not to incur expenses for searching or copying in excess of $10 without prior notification. We reimbursed the political subdivisions for their costs. By asking for the minutes, we were also able to determine compliance with the closed session provisions of the Sunshine Law.

The review disclosed that a significant number of political subdivisions did not respond to our request, denied our request, or responded late. Our review of the causes for not complying with the law disclosed that political subdivisions placed unnecessary requirements on the citizens before the response would be provided. For example, a school district superintendent stated:

> "Your request was not made on your business letterhead stationary. As a matter of fact, we do not know what firm you represent. No rationale was given for the request. Therefore, your request has been denied until more information is submitted."

A clerk of a township stated:

> "First, we don't know who you are, or anything about why you should want these minutes. We can't just send this information to anyone without knowing what they want with them."

We followed up with non-respondents and determined that they were not aware of their responsibilities under the Sunshine Law or they ignored the request because they believed they needed to get further approval or information before they responded.

> A township treasurer stated she would comply with the request if given a good reason to do so. She said she was not familiar with the Sunshine Law, but realizes the public has a right to public records.

(over)

> A director of a state funded public library stated that she thought the request was so

unusual that she was waiting for the next board meeting to decide how to, or if, they would respond.

The audit disclosed that most late responses were not significantly late, usually only a day or two. Our office did not follow-up on the causes for delays because most delays were not material.

Our review of the board meeting minutes that were sent in response to our requests disclosed that, generally, the respondents cited one of the reasons identified in the statute for entering into a closed session and documented it in the minutes.

Political subdivisions risk lawsuits, fines, and loss of credibility by not properly following the provisions of the Sunshine Law.

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan
and
Members of the General Assembly

The State Auditor performed an audit of compliance with requests for records under Section 610.023, RSMo--Missouri Sunshine Law. The objective of the audit was to determine if political subdivisions were aware of their responsibilities to provide access to public records upon request. Two specific requirements were tested during this audit.

- Did the political subdivision provide the records?
- Did the political subdivision provide the response within 3 business days of receipt of the request?

We concluded that nearly one half of the political subdivisions included in our sample did not properly comply with the Sunshine Law regarding requests for records. Based on the results of our statistical sample, we estimated that 1,649 of the 3,459 (47.6%) political subdivisions would not respond properly to public requests. They did not respond to the requests, denied the requests, or delayed their responses to the requests. By failing to respond to requests or denying requests unjustifiably, political subdivisions risk fines, lawsuits, and loss of credibility with their constituency.

Claire McCaskill
State Auditor

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RESULTS

There Is No Assurance that Political Subdivisions Would Comply with the Record Request Provisions of the Sunshine Law

Our office determined that 102 of 214 political subdivisions in our sample were not aware of their responsibilities to respond to requests for information from the general public, or they denied requests for reasons not acceptable under the Sunshine Law. Additionally, some political subdivisions responded late and others required the citizens to identify their purpose for requesting the information before releasing it. In a follow-up with the non-respondents and those who denied the requests, we identified the following causes for not complying with the Sunshine Law:

- Unaware of their responsibilities
- Did not have minutes and did not respond
- Believed another board meeting was needed to determine if they would respond

By not responding to requests properly or timely, political subdivisions subject themselves to lawsuits and fines and risk their credibility with their constituency.

Universe of Political Subdivisions

The auditor's office maintains a database of political subdivisions that contains 3,459 entities. From this universe, we selected a random statistical sample of 214 political subdivisions and sent a request for the minutes of their last board meeting held in calendar year 1998. (*See Appendix III, page 9, for a detailed discussion of the sample results.*)

Audit Procedure and Criteria

The audit test was conducted in a manner that gave the appearance that the request letters came from private citizens. The request letter that we sent on plain paper stated:

> "I request that you make available to me a copy of the minutes of the last meeting held in Calendar year 1998. Please let me know in advance of any search or copying if the fees for such search and copying will exceed $10."

The letter was sent to political subdivisions in all geographic locations within the state, and our office made no distinction between the size, location, or purpose of the entity when applying the requirements of the Sunshine Law. (*See Appendix I, page 6, for a breakout by type of political subdivisions included in our sample.)*

According to Section 610.023 RSMo:

"Each request for access to a public record shall be acted upon as soon as possible, but in no event

later than the end of the third business day following the date the request is received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection. This period for document production may exceed three days for reasonable cause."

Not all political subdivisions responded properly to requests for records

The random statistical sample of 214 political subdivisions disclosed that 102 did not respond properly to requests for records. Based on these results, we estimated 1,649 of the 3,459 (47.6%) political subdivisions would not respond properly to requests for records from citizens. Some did not respond at all, others denied the requests without proper justification, and others delayed their responses beyond the timeframes established in the statutes.

1,649 would not respond properly

.

Political subdivisions did not respond to requests for records

Based on the results of the sample, we estimated that 1,115 of the 3,459 (32.2%) political subdivisions would not respond to requests for records from citizens. Our audit test included sending the letter requests by certified return receipt requested mail, and although our office received the certification of delivery cards, we did not receive the requested records or a response from the political subdivision. In a follow-up with selected non-respondents, we found that they did not know what to do with the request when they received it.

1,115 would not respond to requests

- A director of a state funded public library stated that she thought the request was so unusual that she was waiting for the next board meeting to decide how to, or if, they would respond.
- An attorney for a levy district stated that they did not have any written minutes but he said he could write them.
- A city clerk said she tried to call the citizen to inquire who was asking for the information.
- A township treasurer stated she would comply with the request if given a good reason to do so. She said she was not familiar with the Sunshine Law, but realizes the public has a right to public records.

(See Appendix IV, page 11, for a list of the non-respondents.)

Political subdivisions denied requests for information without proper justification

According to Section 610.023 RSMo, "if a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied and shall be furnished to the

requester no later than the end of the third business day following the date that the request for the statement is received."

Based on the results of the sample, we estimated that 162 of the 3,459 (4.6 %) political subdivisions would deny requests for records. Not one of the denials met the criteria for denying requests. Examples from our sample of 214 political subdivisions showed that the reasons for denial were not justified.

162 would deny request

- A letter from a school district superintendent stated the following:

"Your request was not made on your business letterhead stationery. As a matter of fact, we do not know what firm you represent. No rationale was given for the request. Therefore, your request has been denied until more information is submitted."

- A letter from an attorney for a special road district stated the following:

"Please advise me as to the reason and purpose for your request, and whether or not you are the owner of any lands located within the district. If you are a landowner, please advise me as to the location of your lands by section, township and range."

- A letter from the clerk of a township stated the following:

"First, we don't know who you are, or anything about why you should want these minutes. We can't just send this information to anyone without knowing what they want with them."

There is no provision in the revised statutes for making these type demands on the citizenry prior to providing the information. *(See Appendix V, page 13, for a list of the political subdivisions that denied the request.)*

Political subdivisions were generally timely in responding to requests for records

Although an estimated 372 of the 3,459 (10.7%) political subdivisions would provide their responses after the 3-business day timeframe for response, in most cases the delays would not be significant. Our office used the day after the political subdivision received our request and the postmark of the response letter to determine elapsed days. The delays were usually only 1 to 3 days, which we do not believe to be significant in measuring compliance with the response period.

372 would delay request

Number of Entities	Days Late
210	1-3
113	4-6
49	9-16

Improvement was needed in documenting reasons for entering into closed sessions

The auditor's office reviewed copies of minutes received from 103 political subdivisions and determined that 33 had gone into closed session at some point during the meeting. Section 610.021 states the criteria for entering into a closed session at a public meeting. Legitimate reasons for entering into closed sessions include discussions of employee performance and personal conduct matters.

A review of the minutes disclosed that 27 of 33 (82%) of the political subdivisions that went into closed session cited one of the reasons identified in the statute for entering into a closed session and documented it in the minutes. Regarding the six entities that did not disclose the reason for entering into a closed session, we do not know whether they did not properly disclose the reason or they just did not properly document the reason.

Conclusion

We concluded that compliance with the Sunshine Law would improve measurably if political subdivisions understood their responsibilities. Merely wanting to know who is asking or why they are asking is not sufficient justification for denying, not responding, or delaying responses to requests for public records.

APPENDIX I

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of the audit was to determine if political subdivisions were aware of their responsibilities for responding to public requests for records. The audit measured the number of responses received in our tests and the timeliness of those responses.

Scope and Methodology

Our office selected a random statistical sample of 214 political subdivisions from the 3,459 political subdivisions maintained in our database. (*Specific discussion of the sampling methodology is contained in Appendix III, page 9).* To meet the audit objective we sent a request for board meeting notes to each of the 214 political subdivisions and interviewed responsible personnel as appropriate. The sample included the following types of political subdivisions:

Political Subdivision	Number	Political Subdivision	Number
School Districts	35	Soil & Water	5
Cities	32	Counties	4
Townships	23	Levee Districts	4
Road Districts	20	Towns	3
Water Districts	19	Drainage Dist	3
Fire Districts	18	Special Purpose Business	3
Library Districts	12	Medical Centers and Hospitals	4
Villages	11	Nursing Dist	2
Ambulance Dist	6	Other	10

APPENDIX I

We reviewed the requirements of Section 610 RSMo and limited the scope of our review to responses to requests for information. Other provisions of Section 610 RSMo were not included in the scope of this audit. We made several assumptions in this audit.

- There is no distinction between political subdivisions as to size, mission, function, geographic location, and population served regarding the responsibility to respond to requests for records.

- A political subdivision was considered in compliance with the law if it requested clarification of the request within 3 business days (provided that the records were subsequently received after the clarification).

- We began the time measurement for responding on the day after receiving our request for records because some requests may have been delivered late in the day.

- Since the wording in RSMo 610.023.3 refers to the governmental body Aacting upon the request≅ within 3 business days, we used the postmark date on the return mailing as the date of measurement.

The audit was made in accordance with applicable generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate under the circumstances. The audit included program results and compliance elements.

APPENDIX II

BACKGROUND

The State of Missouri=s commitment to openness in government is stated in Section 610.011 of the RSMo. Referred to as the Sunshine Law, the intent of the law is to ensure that public governmental bodies conduct their business in a manner that is open to public scrutiny. Public meetings, including meetings conducted by telephone or other electronic means, are to be held at reasonably convenient times and must be accessible to the public. Meetings should be held in facilities that are accessible to persons with disabilities.

Section 610.010 prescribes that public governmental bodies are defined as legislative, administrative or other governmental entities created by the constitution or statutes of the State of Missouri, or by order or ordinance of any political subdivision or district as well as judicial entities when operating in an administrative capacity. This includes state agencies and officials, governing bodies of institutions of higher education and any department of any political subdivision of the state, county or municipal government, school district, or special-purpose district, including sewer and water districts.

Section 610.023 prescribes that each public governmental body shall make that body's public records available for inspection and copying by the public. Each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection. This period for document production may exceed three days for reasonable cause. If a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied and shall be furnished to the requester no later than the end of the third business day following the date that the request for the statement is received.

Section 610.27 prescribes that any aggrieved person, taxpayer to, or citizen of, this state, or the attorney general or prosecuting attorney, may seek judicial enforcement of the requirements of sections 610.010 to 610.026. Suits to enforce sections 610.010 to 610.026 shall be brought in the circuit court for the county in which the public governmental body has its principal place of business. Upon a finding by a preponderance of the evidence that a public governmental body or a member of a public governmental body has purposely violated sections 610.010 to 610.027, the public governmental body or the member shall be subject to a civil fine in the amount of not more than five hundred dollars and the court may order the payment by such body or member of all costs and reasonable attorney fees to any party successfully establishing a violation of sections 610.010 to 610.026.

APPENDIX III

SAMPLE METHODOLOGY AND RESULTS

Audit Universe

The audit universe consisted of 3,459 political subdivisions identified in the auditor' office database of governmental entities. This database was current as of August 31, 1999.

Sample Design

The statistical sample was comprised of 214 political subdivisions from the universe of 3,459. This sample size was based on a non-stratified attribute sampling design at the 90 percent confidence level with a $\pm$ 5 percent precision and expected error rate of 30 percent. The 214 political subdivisions were randomly selected from the universe and contained a representative sample of large, medium, and small political subdivisions.

The sample was used to measure the estimated number of political subdivisions that would properly respond to requests for public documents and those that did not respond properly, either by (i) not responding at all, (ii) denying requests, or (iii) delaying requests.

Sample Results

Based on the results of the sample, we estimate that1,649 of the 3,459 political subdivisions would not respond properly to requests for public documents.

Population Size	3,459
Sample Size	214
Number not responding properly	102

Projected number of political subdivisions that would not respond properly

Error Rate	47.664 %
Point Estimate (3,459 x .47664)	1,649
Upper Limit (3,459 x .53328)	1,845
Lower Limit (3,459 x .42046)	1,454

Based on the results of the sample, we estimate that 1,115 of the 3,459 political subdivisions would not respond to requests for public documents.

Population Size	3,459
Sample Size	214

APPENDIX III

Number not responding	69

Projected number of political subdivisions that would not respond

Error Rate	32.243%
Point Estimate (3,459 x .32243)	1,115
Upper Limit (3,459 x .37718)	1,305
Lower Limit (3,459 x .27128)	938

Based on the results of the sample, we estimate that162 of the 3,459 political subdivisions would deny requests for public documents.

Population Size	3,459
Sample Size	214
Number denying requests	10

Projected number of political subdivisions that would deny requests

Error Rate	4.673%
Point Estimate (3,459 x .04673)	162
Upper Limit (3,459 x .07700)	266
Lower Limit (3,459 x .02623)	91

Based on the results of the sample, we estimate that 372 of the 3,459 political subdivisions would delay requests for public documents.

Population Size	3,459
Sample Size	214
Number delaying requests	23

Projected number of political subdivisions that would delay requests

Error Rate	10.748%
Point Estimate (3,459 x .10748)	372
Upper Limit (3,459 x .14753)	510
Lower Limit (3,459 x .07561)	262

APPENDIX IV

SCHEDULE OF NON-RESPONDENTS
AS OF OCTOBER 19, 1999

Village of Airport Drive
Baden Market Centre Special Business District
Town of Cave
City of Avondale
City of Boonville
City of Salem
Castle Point Street Light District
Village of Guilford
City of Humansville
Waynesville Rural Fire Protection District
City of Howardsville
Eldon Special Road District Miller County
Versailles Special Road District 4 Morgan County
Wolfe Creek Special Road District Ripley County
Conway Special Road District #2 Laclede County
Mayview Special Road District Lafayette County
Friestaff Special Road District
Ponder Gatewood Road District Ripley County
Town of Lake Mykee
City of Sumner
Hume R-VIII School District
Crowder Zeta Special Rd District Stoddard County
City of Fillmore
City of Amazonia
Grand River Township of Daviess County
Adams Township of DeKalb County
Yellow Creek Township of Linn County
Chariton Township of Chariton County
Washington Township of Daviess County
Marion Township of Daviess County
North Benton Township of Linn County
Wilson Township of Putnam County
Pike Township of Stoddard County
Carroll Township of Texas County
Monroe Township of Livingston County

APPENDIX IV

SCHEDULE OF NON-RESPONDENTS
AS OF OCTOBER 19, 1999

Washington Township of Nodaway County
Hopkins Township of Nodaway County
Daviess County Library
Tightwad Fire Protection District
Village of Gerster
City of Bonne Terre
Union Township Fire Protection District
Bois D'Arc Fire Protection District
KAW Fire Protection District
Shawnee Township of Bates County
Mirabile Township of Caldwell County
Mercer County Library
Central Township of Barton County
South West Township of Barton County
Public Water Supply District 3 Osage County
Eminence R-1 School District
Platte County Drainage Ditch District 1
Public Water Supply District #3 Pulaski County
Crooked River Levee District Ray County
Newtown-Harris R-III School District
Public Water Supply District 1 Christian County
Pleasant View R-IV School District
Ozark County Soil and Water Conservation Dist.
Andrew Public Water Supply District #3
Bates County Water District #2
Public Water Supply District #2 Lincoln County
Special Road District #2 Dade County
Pioneer Special Road District 31 Barry County
Rowland Special Road District Cedar County
Otterville R-VI School District
Gladstone Special Road District 3 Clay County
Howard Bend Levee District St. Louis County
Taney County
South Wilson Special Road District Audrain County

APPENDIX V

SCHEDULE OF DENIALS

The following political subdivisions denied the request for records :

POLITICAL SUBDIVISION	REASON GIVEN FOR DENIAL
Essex Special Road District Stoddard County	Identify yourself and specify need to know
Gregory Levee District	Identify yourself and specify need to know
Village of Newtown	Specify need to know
Village of Truxton	Requester does not have a need to know
Mill Creek Dyke and Drainage District	Requester must identify affiliation with district
Golden Age Nursing Home District	Specify need to know
Sheridan Township of Daviess County	Identify yourself and specify need to know
Laclede Community Fire Protection District	Identify yourself and specify need to know
Public Water Supply District 3 Stoddard Cty	Identify yourself and specify need to know
Cooper County R-IV School District	Identify yourself and specify need to know

AUDIT REPORT

SIXTH JUDICIAL CIRCUIT

PLATTE COUNTY, MISSOURI

THREE YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-103
October 29, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

YELLOW SHEET

Audit Report #99-103

The Sixth Judicial Circuit Court consists of Platte County. **During our audit, we identified a certain management practice which we believe could be improved.**

Missouri state law allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. State law requires such bills to be submitted to the state's Office of Administration within two years of the date of judgement and sentence.

Our review of the handling of these billings disclosed the Circuit Clerk does not submit criminal cost billings to the state for incarceration costs related to defendants where the court retained the option of granting probation to the defendant after 120 days. The Circuit Clerk indicated that she was not aware criminal cost billings could be submitted to the state in these instances.

During the period from January 1, 1996 through December 31, 1998, the court handled seventy such cases, involving billable costs totaling $47,385. As of July 1, 1999, twenty-one of these cases, involving billable costs of $11,429, exceeded the two-year time limit and this amount represents revenue lost to the county. The remaining cases, involving billable costs of approximately $35,956, were still billable as of July 1, 1999. The State Auditor recommended that the Circuit Clerk take timely action to ensure the billable costs related to these cases are billed before the two-year limit expires. The audit also disclosed that while other applicable cases (non-120 day cases) were generally billed properly, a 1996 case involving billable costs of $4,012 was not billed to the state, resulting in additional lost revenue to the county.

In a response to the finding, the Presiding Circuit Judge indicated that in June 1999, when this matter was first brought to the Circuit Clerk's attention, action was taken to begin billing the state for those 120 day cases that were within the two year billing limit. In addition, for those cases which have occurred since the audit, the applicable costs have been billed and a tracking system has been established to better identify the applicable costs to be billed in the future.

In regard to follow-up action taken by the Sixth Judicial Circuit on recommendations made in our last audit report, these recommendations had been partially or fully implemented.

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Sixth Judicial Circuit
Platte County, Missouri

We have audited the accompanying special-purpose financial statements of the various funds of the Sixth Judicial Circuit, Platte County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the various funds of the Sixth Judicial Circuit, Platte County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the judicial circuit.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the various funds of the Sixth Judicial Circuit, Platte County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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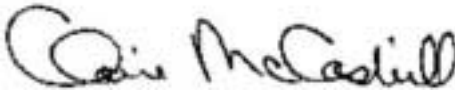
The Sixth Judicial Circuit, Platte County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board(GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Sixth Judicial Circuit is or will become year 2000-compliant, that the Sixth Judicial Circuit's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Sixth Judicial Circuit does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 7, 1999, on our consideration of the judicial circuit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, Platte County, and the Sixth Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

July 7, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Sixth Judicial Circuit
Platte County, Missouri

We have audited the special-purpose financial statements of the various funds of the Sixth Judicial Circuit, Platte County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, and have issued our report thereon dated July 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various funds of the Sixth Judicial Circuit, Platte County, Missouri, are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various funds of the Sixth Judicial Circuit, Platte County, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special - purpose financial

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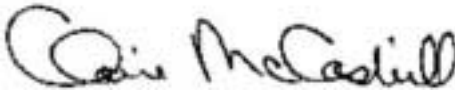
statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Sixth Judicial Circuit, Platte County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 7, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

	Circuit Division Fund	Probate Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS					
Court deposits, fees, bonds, and other	$ 2,471,764	29,870	11,064	37,278	2,549,976
Child support	7,495,409	0	0	0	7,495,409
Interest income	13,556	44	0	459	14,059
Total Receipts	9,980,729	29,914	11,064	37,737	10,059,444
DISBURSEMENTS					
State of Missouri:					
Court fees	383,542	21,212	0	0	404,754
Title IV-D	110,463	0	0	0	110,463
County officials	1,038,393	5,333	0	0	1,043,726
Child support	7,323,834	0	0	0	7,323,834
Supplies and equipment	14,603	0	0	14,456	29,059
Refunds and other	1,031,748	2,939	11,218	0	1,045,905
Total Disbursements	9,902,583	29,484	11,218	14,456	9,957,741
RECEIPTS OVER (UNDER) DISBURSEMENTS	78,146	430	-154	23,281	101,703
CASH, JANUARY 1	477,653	1,678	623	9,149	489,103
CASH, DECEMBER 31	$ 555,799	2,108	469	32,430	590,806

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

	Circuit Division Fund	Probate Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS					
Court deposits, fees, bonds, and other	$ 2,185,503	28,751	15,179	18,560	2,247,993
Child support	6,999,972	0	0	0	6,999,972
Interest income	13,420	35	0	111	13,566
Total Receipts	9,198,895	28,786	15,179	18,671	9,261,531
DISBURSEMENTS					
State of Missouri:					
Court fees	325,198	22,247	0	0	347,445
Title IV-D	159,730	0	0	0	159,730
County officials	738,159	5,407	0	0	743,566
Child support	6,831,300	0	0	0	6,831,300
Supplies and equipment	7,375	0	0	11,082	18,457
Refunds and other	1,056,290	1,701	15,237	0	1,073,228
Total Disbursements	9,118,052	29,355	15,237	11,082	9,173,726
RECEIPTS OVER (UNDER) DISBURSEMENTS	80,843	-569	-58	7,589	87,805
CASH, JANUARY 1	396,810	2,247	681	1,560	401,298
CASH, DECEMBER 31	$ 477,653	1,678	623	9,149	489,103

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1996

	Circuit Division Fund	Probate Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS					
Court deposits, fees, bonds, and other	$ 2,894,217	27,187	9,857	5,406	2,936,667
Child support	6,679,242	0	0	0	6,679,242
Interest income	21,355	39	0	37	21,431
Total Receipts	9,594,814	27,226	9,857	5,443	9,637,340
DISBURSEMENTS					
State of Missouri:					
Court fees	316,737	20,056	0	0	336,793
Title IV-D	153,445	0	0	0	153,445
County officials	669,698	5,040	0	0	674,738
Child support	6,520,584	0	0	0	6,520,584
Supplies and equipment	16,190	0	0	6,083	22,273
Refunds and other	1,871,851	1,311	9,875	0	1,883,037
Total Disbursements	9,548,505	26,407	9,875	6,083	9,590,870
RECEIPTS OVER (UNDER) DISBURSEMENTS	46,309	819	-18	-640	46,470
CASH, JANUARY 1	350,501	1,428	699	2,200	354,828
CASH, DECEMBER 31	$ 396,810	2,247	681	1,560	401,298

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Sixth Judicial Circuit, Platte County, Missouri.

Receipts, disbursements, and changes in cash are presented for the various funds administered by the Sixth Judicial Circuit, Platte County, Missouri. The operating costs of the offices within the circuit are paid directly from appropriations authorized by the Platte County Commission and the state of Missouri and are not included in these financial statements.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash for the Sixth Judicial Circuit, Platte County, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Sixth Judicial Circuit, Platte County, Missouri, includes the transactions of the Circuit Division, Probate Division, Juvenile Office, and Law Library. Each officeholder has been charged with the responsibility of administering the transactions in his or her division. The Circuit Clerk has been charged with the responsibility of administering the transactions of the circuit and associate circuit divisions. The Presiding Judge has appointed the local bar association's treasurer as law library custodian and the Circuit Clerk as law library treasurer, and these individuals are responsible for administering the transactions of the Law Library Fund. The Chief Juvenile Officer has been charged with the responsibility of administering the transactions of the Juvenile Office.

The Sixth Judicial Circuit, Platte County, Missouri, administers transactions within the following funds:

Circuit Division Fund: This fund accounts for the transactions of the Circuit Clerk's office and associate circuit divisions. These transactions include receipts and disbursements of the civil, criminal, traffic, and child support accounts.

Probate Division Fund: This fund accounts for the transactions of the Probate Division. These transactions include receipts and disbursements of court deposits and fees.

Juvenile Office Fund: This fund accounts for the transactions of the Juvenile Office. These transactions include receipts and disbursements of restitution payments, drug screening fees, and donations to the crime prevention program.

Law Library Fund: This fund accounts for the transactions of the law library, including fees collected from Circuit Division deposits and the related interest income. Disbursements are legally restricted for maintenance of a law library.

2. Cash

Section 483.310, RSMo Cumulative Supp. 1998, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

The circuit court's deposits at December 31, 1998, 1997, and 1996, were entirely covered by federal depositary insurance or by collateral securities held by the court's custodial bank in the circuit court's name.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Sixth Judicial Circuit, Platte County, Missouri, as of and for the years ended December 31, 1998, 1997, and 1996, and have issued our report thereon dated July 7, 1999.

During our audit, we identified a certain management practice which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the finding presented in the following Management Advisory Report should not be considered as all-inclusive of areas where improvements may be needed.

Criminal Cost Billings

Section 221.105, RSMo Cumulative Supp. 1998, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. Section 33.120, RSMo Cumulative Supp. 1998, requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgement and sentence. Our review of the Circuit Clerk's handling of these billings disclosed the following concerns:

A. The Circuit Clerk does not submit criminal cost billings to the state for incarceration costs related to defendants where the court retained the option of granting probation to the defendant after 120 days pursuant to Section 559.115, RSMo Cumulative Supp. 1998. The Circuit Clerk indicated that she was not aware criminal cost billings could be submitted to the state in these instances.

   We determined the court handled seventy such cases, involving billable incarceration costs totaling $47,385, during the period from January 1, 1996 through December 31, 1998. As of July 1, 1999, twenty-one of these cases, involving billable incarceration costs of $11,429, exceeded the two-year time limit. As a result, these costs cannot be billed to the state and the related revenues have been lost to the county. The remaining forty-nine cases, involving billable costs of approximately $35,956, were still billable as of July 1, 1999. The Circuit Clerk should take timely action to ensure the billable costs related to these cases are billed to the state before the two-year limit expires.

B. Although it appears the Circuit Clerk's office generally ensured that other applicable cases (non-120 day cases) were properly billed, we noted one such case in 1996, involving billable incarceration costs of $4,012, which was not billed to the state. Since the two-

year time limit has expired on this case, this represents additional revenue which has been lost to the county.

To ensure criminal cost reimbursements received by the county are maximized, all allowable costs should be billed to the state in a timely manner.

WE RECOMMEND the Circuit Clerk take timely action to ensure any unbilled costs pertaining to past 120 day cases are billed to the state before the two-year time limit expires. In addition, in the future, the Circuit Clerk should ensure all billable criminal costs are billed to the state on a timely basis.

AUDITEE'S RESPONSE

The Presiding Circuit Judge indicated that in June 1999, when this matter was first brought to the Circuit Clerk's attention, action was taken to begin billing the state for those 120 day cases that were within the two year billing limit. In addition, for those cases which have occurred since the audit, the applicable costs have been billed and a tracking system has been established to better identify the applicable cases and costs to be billed in the future.

This report is intended for the information of the management of the Sixth Judicial Circuit, Platte County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Sixth Judicial Circuit, Platte County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1995. Although the unimplemented recommendation has not been repeated in the current MAR, the judicial circuit should consider implementing this recommendation.

1. Missing Child Support Receipts

In December 1995, the Circuit Clerk's office discovered that $2,020 in undeposited child support cash receipts was missing. A subsequent review by the county's independent auditors determined that an additional $1,100 in undeposited cash receipts collected in September 1995 could also not be accounted for.

After the discrepancy in September 1995, the Circuit Clerk implemented a procedure requiring recorded cash receipts be compared with cash on hand prior to deposit. This resulted in the timely discovery of the cash shortage which occurred in December 1995. After the December 1995 incident, the Circuit Clerk took action to further limit the distribution of and access to logs.

Because of the corrective actions taken by the Circuit Clerk, we made no further recommendations related to this matter.

2. Circuit Clerk's Outstanding Checks

At December 31, 1995, the Circuit Clerk's accounts had checks totaling $6,601 which had been outstanding for more than one year. Some of the outstanding checks dated back to 1991.

Recommendation:

The Circuit Clerk establish procedures to routinely follow up and reissue old outstanding checks, if the payees can be located. If the payees cannot be located, these monies should be disposed of through the applicable statutory provisions.

Status:

Partially implemented. The Circuit Clerk took action to resolve the old outstanding checks noted in the prior audit. However, at December 31, 1998, the Circuit Clerk's accounts had outstanding checks totaling $1,169 which had been outstanding for more than one year. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Law Library Fund

Liabilities of the Law Library Fund exceeded the balance of the bank account by $5,891 at April 1, 1996. In addition, no annual budgets were prepared for this fund.

Recommendation:

The Presiding Circuit Judge require that annual budgets be prepared for the Law Library Fund and the individuals responsible for the fund ensure monies are not expended in excess of available resources.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Sixth Judicial Circuit consists of only Platte County.

The Sixth Judicial Circuit consists of two circuit judges and three associate circuit judges. The Division I judge serves as the presiding judge and is responsible for administration of the circuit. Two of the associate circuit judges preside over the associate circuit court, and one of the associate circuit judges presides over the probate division.

In addition to the judges, the personnel of the Sixth Judicial Circuit, Platte County, Missouri, include a circuit clerk, a chief deputy clerk, a probate division clerk, two court reporters, a chief juvenile officer, and approximately 16 other employees. Since the circuit court in Platte County has a centralized filing system, the circuit clerk is responsible for the collection and disbursement of associate division fees and the maintenance of associate division case files in addition to her statutory duties as circuit clerk.

Operating Costs

The operating expenses of the various courts and the Juvenile Justice Center are paid by Platte County. The operating expenses for the circuit judges, court reporter, and juvenile office are also paid by Platte County.

The salaries of the court personnel and the chief juvenile officer are paid by the state of Missouri. The salaries of the remaining juvenile office personnel and court services personnel are paid by Platte County.

Expenditures incurred for the Sixth Judicial Circuit, Platte County, Missouri, were obtained from the Platte County detail accounts summary and information provided by the State Courts Administrator's office and are as follows:

	Year Ended December 31,								
	1998			1997			1996		
	State of Missouri-	Platte County		State of Missouri-	Platte County		State of Missouri-	Platte County	
	Personal Service	Personal Service	Expenses	Personal Service	Personal Service	Expenses	Personal Service	Personal Service	Expenses
Circuit Court	$ 156,338	25,211	17,634	117,965	39,272	19,440	112,737	58,286	19,979
Circuit Clerk and Associate Circuit Divisions	589,774	0	73,789	568,303	0	50,752	517,314	0	32,791
Probate Division	41,399	0	24,171	39,262	0	30,000	37,270	0	26,550
Juvenile Office	36,146	291,084	158,828	34,307	247,504	135,214	32,523	223,567	117,657
Court Reporter	57,138	0	6,288	41,238	0	6,426	39,094	0	3,754
Total	$ 880,795	316,295	280,710	801,075	286,776	241,832	738,938	281,853	200,731

Caseload and Time Standards Statistics

Caseload statistics of the filings and dispositions of the Sixth Judicial Circuit, Platte County, Missouri, provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

	Year Ended June 30,					
	1998		1997		1996	
	Filings	Dispositions	Filings	Dispositions	Filings	Dispositions
Civil	3,037	2,993	2,872	2,945	2,641	2,559
Criminal	3,559	3,573	3,597	2,631	2,333	1,861
Traffic & ordinance	12,034	11,128	10,295	9,399	10,845	8,107
Juvenile	164	162	178	173	169	124
Probate	100	112	113	145	113	146
Total	18,894	17,968	17,055	15,293	16,101	12,797

Compliance by the Sixth Judicial Cirucuit, Platte County, Missouri, with time standards for disposition of certain types of cases, provided by the State Courts Administrator's Missouri Judicial Report for fiscal year 1998, is as follows:

Type of Case	Time Standard	Sixth Judicial Circuit, Platte County, Missouri	State Total
Circuit Civil	90% in 18 months	88 %	79 %
	98% in 24 months	92	87
Domestic Relations	90% in 8 months	80	83
	98% in 12 months	88	90
Associate Civil	90% in 6 months	97	84
	98% in 12 months	99	95
Circuit Felony	90% in 8 months	83	85
	98% in 12 months	95	93
Associate Criminal	90% in 4 months	80	79
	98% in 6 months	90	89

Personnel

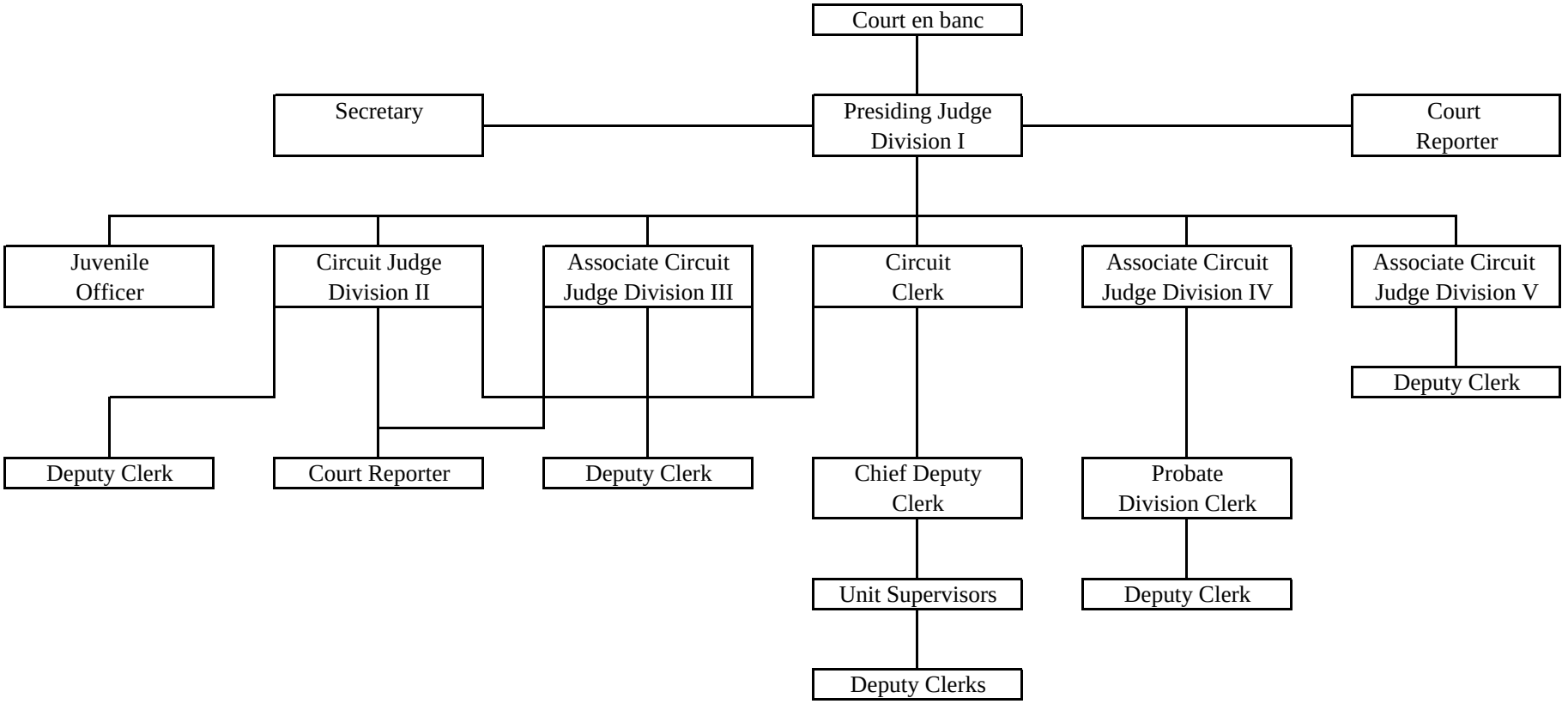
On December 31, 1998, the judges, Circuit Clerk, and Chief Juvenile Officer of the Sixth Judicial Circuit, Platte County, Missouri, were:

Ward B. Stuckey, Circuit Judge, Division I (Presiding Judge)
Owens Lee Hull Jr., Circuit Judge, Division II
Daniel M. Czamanske, Associate Circuit Judge, Division III

James W. Van Amburg, Associate Circuit Judge, Division IV (Probate)
Gary D. Witt, Associate Circuit Judge, Division V
Sandra Dowd, Circuit Clerk
Janet Warner, Chief Juvenile Officer

An organization chart follows.

SIXTH JUDICIAL CIRCUIT
PLATTE COUNTY, MISSOURI
ORGANIZATION CHART
DECEMBER 31, 1998



* * * * *

TWENTY-FIRST JUDICIAL CIRCUIT

VILLAGE OF HANLEY HILLS, MISSOURI

MUNICIPAL DIVISION

TWO YEARS ENDED JUNE 30, 1999

From The Office Of State Auditor
Claire McCaskill

Report No. 99-102
October 27, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

YELLOW SHEET

The following problems, discovered as result of our office's most recent two year audit of the Twenty-First Judicial Circuit's Municipal Division in the Village of Hanley Hills.

The Court Clerk, Village Clerk, and Deputy Village Clerk each have the authority to receive fine and court cost payments, issue receipt slips, record payments on the village's computerized accounting system and enter receipts into the cash register.

The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. In addition, there is no reconciliation of receipt slips to the computer reports or cash register entries and the composition of receipts per those records is not reconciled to deposits. There were several instances noted in which payments indicated on the cash register tape did not agree with deposit slips prepared by the Village Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded.

The municipal division does not account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued. Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the municipal division cannot be assured all tickets issued are properly processed.

The municipal division did not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol.

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
Hanley Hills, Missouri

We have audited the accompanying special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998. This special-purpose financial statement is the responsibility of the municipal division's management. Our responsibility is to express an opinion on this special-purpose financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statement was prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit and is not intended to be a complete presentation of the financial position and results of operations of the municipal division.

In our opinion, the special-purpose financial statement referred to in the first paragraph presents fairly, in all material respects, the receipts, disbursements, and changes in cash of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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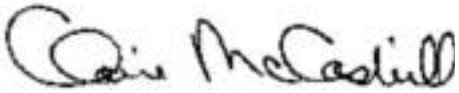
The village of Hanley Hills Municipal Division has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the municipal division is or will become year 2000-compliant, that the municipal division's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal division does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 11, 1999, on our consideration of the municipal division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statement referred to above.



Claire McCaskill
State Auditor

August 11, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
Hanley Hills, Missouri

We have audited the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated August 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit is free of material misstatement, we performed tests of the municipal division's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit, we considered the municipal division's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters

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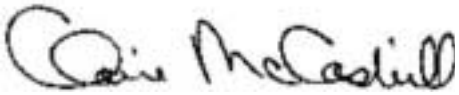
involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the municipal division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statement.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

August 11, 1999 (fieldwork completion date)

Financial Statement

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	Year Ended June 30,	
	1999	1998
RECEIPTS		
Fines, costs, bonds, and other	$ 87,983	89,441
Total Receipts	87,983	89,441
DISBURSEMENTS		
Village treasury	86,195	86,871
State of Missouri (Note 3)	0	0
Refunds and other	2,413	2,786
Total Disbursements	88,608	89,657
RECEIPTS OVER (UNDER) DISBURSEMENTS	-625	-216
CASH, JULY 1	3,604	3,820
CASH, JUNE 30	$ 2,979	3,604

The accompanying Notes to the Financial Statement are an integral part of this statement.

Notes to the Financial Statement

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
NOTES TO THE FINANCIAL STATEMENT

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statement presents only selected data for the funds administered by the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for the municipal division. The operating costs of the division are paid by the village of Hanley Hills and are not included in the financial statement.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases in the custody of the municipal division are included in the financial statement.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash is prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal division accounts for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking offenses; and other violations for which amounts are received by the municipal division and remitted to the village treasury. The municipal division also may account for restitutions received and disbursed through the division.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the village treasury at least monthly. The division does not maintain a bank account,

transmitting fines and court costs directly to the village treasury. A separate escrow bank account for bond monies received is maintained by the municipal division.
At June 30, 1999 and 1998, bank account balances reported for the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal division collects various amounts that must be remitted to the state of Missouri. These amounts include the judgement for the Motorcycle Safety Trust Fund; the surcharges for the Crime Victims' Compensation and Services to Victims Funds; and the Peace Officer Standards and Training Commission Fund. The state's portion of these amounts are deposited into the village treasury. Amounts remitted by the village to the state are not included in the financial statement.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated August 11, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal division's special-purpose financial statement. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Accounting Controls and Procedures

The Court Clerk, Village Clerk, and Deputy Village Clerk each have the authority to receive fine and court cost payments, issue receipt slips on the court's one-write system, record payments on the village's computerized accounting system and enter receipts into the cash register. The Village Clerk is responsible for reconciling receipts recorded on the village's computerized accounting system to the cash register tape, counting the money, and preparing and transmitting deposits to the bank. In addition, the Court Clerk records fine and court cost payments on the **court** computer system from the one-write receipt slips issued. The Court Clerk also receipts and records all bond collections and transmits bond money daily to the Village Clerk for deposit. During our review, we noted the following concerns:

A. The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. In addition, there is no reconciliation of one-write receipt slips to the computer reports or cash register entries and the composition of receipts per those records is not reconciled to the composition of deposits. There were several instances noted in which the composition of payments indicated on the cash register tape did not agree to the deposit slips prepared by the Village Clerk.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between the various cash receipt records and deposits.

B. The Court Clerk accounts for the numerical sequence of one-write receipt slips issued, but several receipts shown as voided were not retained to assist in documenting the receipt slips issued.

All voided receipt slips should be retained to help ensure monies are properly handled and recorded.

C. Checks and money orders received by the Village Clerks and the Court Clerk for payments of fines and court costs are not endorsed until the bank deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. Formal bank reconciliations are not prepared for the municipal division's bond account and a checkbook balance is not maintained. In addition, the monthly listings of open items are not reconciled to the bank and book balances.

To ensure all differences between the bank and book balances are noted in a timely manner, formal bank reconciliations should be performed monthly and a running balance should be maintained in the checkbook register. In addition, monthly listings of open items should be reconciled to the bank and book balances to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

E. The Deputy Village Clerk helps collect court monies at the Traffic Violations Bureau (TVB) and during court on court nights. However, she is not covered by the employee bond which covers the Village Clerk and the Court Clerk. Failure to properly bond all persons with access to assets exposes the municipal division and the village to risk of loss.

Conditions A., D., and E. were also noted in our prior report.

WE RECOMMEND the municipal division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person, including reconciling receipts recorded to deposits.

B. Ensure all voided receipt slips are retained and accounted for properly.

C. Restrictively endorse all checks and money orders immediately upon receipt.

D. Perform and document monthly bank reconciliations for the bond account. In addition, the bond account should be reconciled monthly to the open items listing.

E. Request the village obtain adequate bond coverage for the Deputy Village Clerk.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

A,B, &E. We will work with the Village to implement these recommendations in their entirety.

C. We are now in compliance with this recommendation.

D. We will implement this recommendation in its entirety.

The Village Treasurer responded:

E. The position of Deputy Village Clerk is currently vacant. When the position is filled, the position will be bonded.

2. Ticket Accountability

A. The municipal division does not account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued. The municipal division contracts with the St. Louis County Police Department for police services. The court maintains a log of summonses assigned by the court to officers. In addition, records listing each summons issued are maintained; however these records are not reviewed to account for the numerical sequence of summonses issued and are not reconciled to the assignment log to ensure all summonses issued are entered into the computer system for inclusion on the docket.

In addition, traffic tickets are assigned to officers by the St. Louis County Police Department who accounts for the tickets issued. There is not a specific sequence of tickets assigned to the village of Hanley Hills. The municipal division does not receive a listing of issued tickets from the St. Louis County Police Department to reconcile to tickets entered onto the court's computerized docketing system.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the municipal division cannot be assured all tickets issued are properly processed. Properly reconciled logs and listings of issued tickets would ensure accountability of all tickets as well as the ultimate disposition of each document.

B. The municipal division did not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). In August 1999, we reviewed 60 tickets issued during the two years ended June 30, 1999; 2 of the 6 tickets which should have been filed with the MSHP had not been filed. Section

302.225, RSMo 1994, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

WE RECOMMEND the municipal division:

A. Account for the numerical sequence and ultimate disposition of all summonses assigned and issued. In addition, periodically request a list of traffic tickets issued by the St. Louis County Police Department for the village and reconcile the listing to tickets entered into the court's computer system.

B. Ensure all records of convictions on traffic offenses are forwarded to the MSHP as required by state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

A. Summonses will be accounted for now. With the proviso that we would only be responsible for the tickets the officers provide to us, we will comply with the recommendation regarding reconciliation of tickets if the police department provides the list for comparison.

B. We are now in compliance with this recommendation.

3. Traffic Violations Bureau

The municipal division operates a TVB that allows certain offenses to be paid prior to the court date. However, a court order has not been issued by the Municipal Judge to formally establish the TVB. Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order and to designate a TVB clerk.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the municipal division prepare a court order to authorize the establishment of a TVB.

AUDITEE'S RESPONSE

The Municipal Judge responded that the court order will be issued.

This report is intended for the information of the management of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
FOLLOW UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the village of Hanley Hills Municipal Division on recommendations made in the Management Advisory Report (MAR) of our report on the Twenty-First Judicial Circuit Municipal Divisions issued for the two years ended June 30, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal division should consider implementing these recommendations.

Village of Hanley Hills Municipal Division

A. The duties of receiving, recording, and depositing monies were not adequately segregated.

B.1. Receipt slips were not issued for bond monies received from the St. Louis County Police Department and other courts.

2. Bond receipts were not deposited in the court's bank account on a timely basis.

3. Monthly listings of open items were not prepared.

C. Crime Victim's Compensation fund (CVC) fees were not remitted to the state on a timely basis.

D. The Deputy Village Clerk helped collect court money at the TVB; however, she was not covered by the employee bond.

E. The Municipal Judge did not sign the docket after dispositions were recorded.

F. The Municipal Judge had not issued a court order to formally establish the TVB.

Recommendations:

The village of Hanley Hills Municipal Division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Issue prenumbered receipt slips for all bond monies received and account for the numerical sequence.

2. Deposit bond receipts daily or when accumulated receipts exceed $100.

3. Prepare monthly listings of open items and reconcile the listing to the balance in the bank

account.

C. Properly remit CVC fees to the state in accordance with state law.

D. Request the village obtain adequate bond coverage for the Deputy Village Clerk.

E. Require the Judge's signature on the court dockets.

F. Issue a court order to formally establish the TVB.

Status:

A. Not implemented. See MAR No. 1.

B.1, C&E. Implemented.

B.2. Partially implemented. The Court Clerk transmits bond monies daily when received to the Village Clerk. However, the Village Clerk does not deposit the bonds to the bank account on a daily basis. Although not repeated in the current MAR, the village should consider fully implementing this recommendation.

B.3. Partially implemented. The current Court Clerk has prepared open items listings monthly since she was employed in December 1998. The prior Court Clerk appears to have periodically generated open items listings also. The current Court Clerk is now working to reconcile the listings to the bank and book balances. See MAR No. 1.

D. Not implemented. See MAR No. 1.

F. Not implemented. See MAR No. 3.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

The village of Hanley Hills Municipal Division is one of approximately eighty-five municipal divisions within the Twenty-First Judicial Circuit, which is composed of St. Louis County. The Honorable Robert S. Cohen serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the village treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the village of Hanley Hills.

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The St. Louis County Police Department collects bond monies for the village of Hanley Hills. The St. Louis County Police Department deposits bond monies in an account and then writes and mails a check to village of Hanley Hills Municipal Division. Fines and court costs are transmitted directly to the Village Clerk daily for deposit to the village treasury. Bond monies are deposited in a municipal division bank account pending disposition. Court is held twice a month. Although it has not been formally established, a TVB receives payments of fines and court costs at times other than during court.

Personnel

Municipal Judge	Steven Clark
Court Clerk*	Jenny House

*Jessica Sloan-McCoy served as Court Clerk prior to September 1998. The position of court clerk was vacant from September 1998 until December 22, 1998, when Jenny House was appointed.

Caseload Information

	Year Ended June 30,	
	1999	1998
Number of cases filed	2,044	2,200

AUDIT REPORT

MONITEAU COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-101
October 26, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Moniteau, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Moniteau County was a financial and compliance audit of various county operating funds.

There were no new findings or additional comments made during this audit.

<u>Copies of the audit are available upon request</u>.

YELLOW SHEET

MONITEAU COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Moniteau County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Moniteau County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Moniteau County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Moniteau County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Moniteau County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Moniteau County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*,

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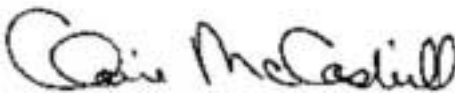
as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 15, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

June 15, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Moniteau County, Missouri

We have audited the special-purpose financial statements of various funds of Moniteau County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Moniteau County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Moniteau County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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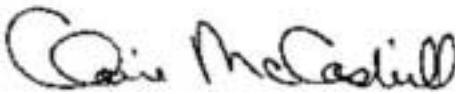
This report is intended for the information of the management of Moniteau County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 15, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

MONITEAU COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	105,535	891,820	952,358	44,997
Special Road and Bridge		145,262	872,228	861,156	156,334
Assessment		46	110,848	110,684	210
Law Enforcement Training		371	3,816	3,665	522
Prosecuting Attorney Training		1,358	531	435	1,454
Adult Abuse		1,325	1,698	1,607	1,416
Prosecuting Attorney Forfeiture		961	50	0	1,011
Bad Check		9,223	9,093	5,000	13,316
Prosecuting Attorney Delinquent Tax		1,160	323	0	1,483
Sheriff Forfeiture		10,062	464	10,526	0
User Fee		16,315	6,807	11,280	11,842
Sheriff Civil Fee		3,444	15,819	13,143	6,120
Mid-States Organized Crime Information Center		595	0	595	0
Emergency Planning		5,088	0	5,088	0
Health Center		206,040	323,242	281,237	248,045
Emergency Dispatch		74,513	373,558	348,806	99,265
Cemetery Trusts		15,165	850	1,099	14,916
Associate Circuit Division Interest		1,404	742	35	2,111
Circuit Clerk Interest		8,706	1,764	0	10,470
Law Library		6,437	4,663	2,279	8,821
Total	$	613,010	2,618,316	2,608,993	622,333

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MONITEAU COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	145,459	841,029	880,953	105,535
Special Road and Bridge		43,943	848,819	747,500	145,262
Assessment		4,525	103,035	107,514	46
Law Enforcement Training		1,203	3,963	4,795	371
Prosecuting Attorney Training		971	884	497	1,358
Adult Abuse		2,160	1,495	2,330	1,325
Prosecuting Attorney Forfeiture		915	46	0	961
Bad Check		5,884	8,339	5,000	9,223
Prosecuting Attorney Delinquent Tax		956	204	0	1,160
Sheriff Forfeiture		10,316	521	775	10,062
User Fee		15,372	6,278	5,335	16,315
Sheriff Civil Fee		0	5,425	1,981	3,444
Mid-States Organized Crime Information Center		0	595	0	595
Emergency Planning		0	5,088	0	5,088
Health Center		168,404	321,989	284,353	206,040
Emergency Dispatch		423,602	357,477	706,566	74,513
Local Law Enforcement Block Grant		0	3,757	3,757	0
Cemetery Trusts		15,285	888	1,008	15,165
Associate Circuit Division Interest		1,167	587	350	1,404
Circuit Clerk Interest		5,818	2,888	0	8,706
Law Library		5,463	3,251	2,277	6,437
Total	$	851,443	2,516,558	2,754,991	613,010

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 194,800	195,642	842	170,848	164,845	-6,003
Sales taxes	350,000	336,180	-13,820	335,000	341,862	6,862
Intergovernmental	124,200	147,115	22,915	160,320	136,855	-23,465
Charges for services	141,750	156,972	15,222	142,900	148,808	5,908
Interest	12,000	11,519	-481	12,000	12,281	281
Other	33,850	30,524	-3,326	31,100	27,598	-3,502
Transfers in	41,704	13,868	-27,836	11,880	8,780	-3,100
Total Receipts	898,304	891,820	#VALUE!	864,048	841,029	#VALUE!
DISBURSEMENTS						
County Commission	52,696	51,765	931	51,741	51,047	694
County Clerk	62,508	62,330	178	63,849	63,458	391
Elections	35,150	29,375	5,775	13,900	10,559	3,341
Buildings and grounds	89,930	89,640	290	43,900	41,730	2,170
Employee fringe benefits	75,300	72,805	2,495	78,400	70,281	8,119
County Treasurer	20,288	20,030	258	22,790	20,229	2,561
County Collector	53,541	53,369	172	51,813	50,794	1,019
Circuit Clerk and Ex Officio Recorder of Deeds	26,460	25,233	1,227	25,923	25,726	197
Associate Circuit Court	7,000	6,139	861	9,600	9,158	442
Court reporter	5,519	2,166	3,353	5,698	2,340	3,358
Court administration	17,000	17,583	-583	16,500	15,576	924
Public Administrator	19,270	18,445	825	14,050	13,679	371
Sheriff	151,846	159,074	-7,228	187,538	185,673	1,865
Jail	119,450	118,218	1,232	115,986	113,717	2,269
Prosecuting Attorney	88,268	74,746	13,522	87,106	73,573	13,533
Juvenile Officer	82,569	64,369	18,200	64,096	59,986	4,110
County Coroner	6,775	6,689	86	7,000	6,547	453
Other	73,870	72,868	1,002	76,145	61,205	14,940
Transfers out	7,576	5,000	2,576	9,500	5,675	3,825
Emergency Fund	6,099	2,514	3,585	14,222	0	14,222
Total Disbursements	1,001,115	952,358	48,757	959,757	880,953	78,804
RECEIPTS OVER (UNDER) DISBURSEMENTS	-102,811	-60,538	#VALUE!	-95,709	-39,924	#VALUE!
CASH, JANUARY 1	105,535	105,535	0	145,459	145,459	0
CASH, DECEMBER 31	$ 2,724	44,997	#VALUE!	49,750	105,535	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 281,300	280,530	-770	261,021	260,481	-540
Intergovernmental	592,200	542,964	-49,236	501,650	524,878	23,228
Charges for services	30,000	32,247	2,247	3,500	31,006	27,506
Interest	9,000	12,657	3,657	9,600	9,628	28
Other	10,000	3,830	-6,170	14,500	22,826	8,326
Total Receipts	922,500	872,228	-50,272	790,271	848,819	58,548
DISBURSEMENTS						
Salaries	278,000	289,139	-11,139	242,000	243,491	-1,491
Employee fringe benefits	55,520	53,443	2,077	59,874	46,892	12,982
Supplies	89,500	74,882	14,618	73,500	70,258	3,242
Insurance	17,000	12,067	4,933	15,000	15,042	-42
Road and bridge materials	215,000	158,990	56,010	120,000	146,796	-26,796
Equipment repairs	57,500	86,555	-29,055	90,000	77,366	12,634
Equipment purchases	95,000	93,364	1,636	75,000	72,079	2,921
Construction, repair, and maintenance	80,000	83,293	-3,293	85,000	20,259	64,741
Other	82,000	9,423	72,577	73,500	55,317	18,183
Transfers out	22,424	0	22,424	0	0	0
Total Disbursements	991,944	861,156	130,788	833,874	747,500	86,374
RECEIPTS OVER (UNDER) DISBURSEMENTS	-69,444	11,072	80,516	-43,603	101,319	144,922
CASH, JANUARY 1	145,262	145,262	0	43,943	43,943	0
CASH, DECEMBER 31	$ 75,818	156,334	80,516	340	145,262	144,922

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 108,524	104,725	-3,799	96,800	96,294	-506
Interest	1,100	1,067	-33	1,400	1,066	-334
Other	0	56	56	0	0	0
Transfers in	7,576	5,000	-2,576	9,500	5,675	-3,825
Total Receipts	117,200	110,848	-6,352	107,700	103,035	-4,665
DISBURSEMENTS						
Assessor	117,200	110,684	6,516	109,930	107,514	2,416
Total Disbursements	117,200	110,684	6,516	109,930	107,514	2,416
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	164	164	-2,230	-4,479	-2,249
CASH, JANUARY 1	46	46	0	4,525	4,525	0
CASH, DECEMBER 31	$ 46	210	164	2,295	46	-2,249

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,500	1,830	330	2,000	1,727	-273
Charges for services	2,000	1,960	-40	2,000	2,000	0
Interest	50	26	-24	50	236	186
Total Receipts	3,550	3,816	266	4,050	3,963	-87
DISBURSEMENTS						
Sheriff	3,700	3,665	35	3,500	4,795	-1,295
Total Disbursements	3,700	3,665	35	3,500	4,795	-1,295
RECEIPTS OVER (UNDER) DISBURSEMENTS	-150	151	301	550	-832	-1,382
CASH, JANUARY 1	371	371	0	1,203	1,203	0
CASH, DECEMBER 31	$ 221	522	301	1,753	371	-1,382

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 800	464	-336	950	825	-125
Interest	50	67	17	50	59	9
Total Receipts	850	531	-319	1,000	884	-116
DISBURSEMENTS						
Prosecuting Attorney	1,500	435	1,065	1,775	497	1,278
Total Disbursements	1,500	435	1,065	1,775	497	1,278
RECEIPTS OVER (UNDER) DISBURSEMENTS	-650	96	746	-775	387	1,162
CASH, JANUARY 1	1,358	1,358	0	971	971	0
CASH, DECEMBER 31	$ 708	1,454	746	196	1,358	1,162

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ADULT ABUSE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,250	1,650	400	1,650	1,450	-200
Interest	50	48	-2	60	45	-15
Total Receipts	1,300	1,698	398	1,710	1,495	-215
DISBURSEMENTS						
Domestic violence shelter	1,350	1,607	-257	3,500	2,330	1,170
Total Disbursements	1,350	1,607	-257	3,500	2,330	1,170
RECEIPTS OVER (UNDER) DISBURSEMENTS	-50	91	141	-1,790	-835	955
CASH, JANUARY 1	1,305	1,325	20	2,160	2,160	0
CASH, DECEMBER 31	$ 1,255	1,416	161	370	1,325	955

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY FORFEITURE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 40	50	10	45	46	1
Total Receipts	40	50	10	45	46	1
DISBURSEMENTS						
Prosecuting Attorney	996	0	996	0	0	0
Total Disbursements	996	0	996	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-956	50	1,006	45	46	1
CASH, JANUARY 1	956	961	5	915	915	0
CASH, DECEMBER 31	$ 0	1,011	1,011	960	961	1

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 8,500	8,465	-35	8,000	7,845	-155
Interest	400	628	228	150	494	344
Total Receipts	8,900	9,093	193	8,150	8,339	189
DISBURSEMENTS						
Transfers out	9,000	5,000	4,000	7,500	5,000	2,500
Total Disbursements	9,000	5,000	4,000	7,500	5,000	2,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-100	4,093	4,193	650	3,339	2,689
CASH, JANUARY 1	9,165	9,223	58	5,884	5,884	0
CASH, DECEMBER 31	$ 9,065	13,316	4,251	6,534	9,223	2,689

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 450	208	-242	990	150	-840
Interest	50	115	65	45	54	9
Total Receipts	500	323	-177	1,035	204	-831
DISBURSEMENTS						
Prosecuting Attorney	1,000	0	1,000	0	0	0
Total Disbursements	1,000	0	1,000	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-500	323	823	1,035	204	-831
CASH, JANUARY 1	1,160	1,160	0	956	956	0
CASH, DECEMBER 31	$ 660	1,483	823	1,991	1,160	-831

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF FORFEITURE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 50	464	414	500	521	21
Total Receipts	50	464	414	500	521	21
DISBURSEMENTS						
Sheriff	10,100	10,526	-426	5,000	775	4,225
Total Disbursements	10,100	10,526	-426	5,000	775	4,225
RECEIPTS OVER (UNDER) DISBURSEMENTS	-10,050	-10,062	-12	-4,500	-254	4,246
CASH, JANUARY 1	10,062	10,062	0	10,316	10,316	0
CASH, DECEMBER 31	$ 12	0	-12	5,816	10,062	4,246

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 6,000	6,150	150	5,800	5,426	-374
Interest	800	657	-143	1,000	852	-148
Total Receipts	6,800	6,807	7	6,800	6,278	-522
DISBURSEMENTS						
Ex Officio Recorder of Deeds	9,000	7,500	1,500	4,220	1,555	2,665
Transfers out	3,780	3,780	0	3,780	3,780	0
Total Disbursements	12,780	11,280	1,500	8,000	5,335	2,665
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,980	-4,473	1,507	-1,200	943	2,143
CASH, JANUARY 1	16,315	16,315	0	15,372	15,372	0
CASH, DECEMBER 31	$ 10,335	11,842	1,507	14,172	16,315	2,143

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MONITEAU COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 10,000	14,783	4,783
Interest	800	441	-359
Transfers in	0	595	595
Total Receipts	10,800	15,819	5,019
DISBURSEMENTS			
Sheriff	11,000	13,143	-2,143
Total Disbursements	11,000	13,143	-2,143
RECEIPTS OVER (UNDER) DISBURSEMENTS	-200	2,676	2,876
CASH, JANUARY 1	3,444	3,444	0
CASH, DECEMBER 31	$ 3,244	6,120	2,876

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MONITEAU COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MID-STATES ORGANIZED CRIME INFORMATION CENTER FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 50	0	-50
Total Receipts	50	0	-50
DISBURSEMENTS			
Transfers out	645	595	50
Total Disbursements	645	595	50
RECEIPTS OVER (UNDER) DISBURSEMENTS	-595	-595	0
CASH, JANUARY 1	595	595	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

MONITEAU COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY PLANNING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 300	0	-300
Total Receipts	300	0	-300
DISBURSEMENTS			
Transfers out	5,388	5,088	300
Total Disbursements	5,388	5,088	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,088	-5,088	0
CASH, JANUARY 1	5,088	5,088	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 159,729	157,294	-2,435	140,760	138,420	-2,340
Intergovernmental	119,500	117,369	-2,131	92,426	135,159	42,733
Charges for services	22,000	28,984	6,984	24,100	34,319	10,219
Interest	10,000	15,898	5,898	8,500	11,421	2,921
Other	2,700	3,697	997	2,000	2,670	670
Total Receipts	313,929	323,242	9,313	267,786	321,989	54,203
DISBURSEMENTS						
Salaries and fringe benefits	239,200	231,407	7,793	226,040	231,354	-5,314
Office expense	12,200	7,284	4,916	19,160	7,871	11,289
Equipment and repairs	13,000	6,110	6,890	11,000	1,750	9,250
Mileage and training	11,500	6,984	4,516	10,000	7,668	2,332
Contract services	24,900	10,726	14,174	13,200	15,020	-1,820
Insurance	2,450	1,960	490	3,450	1,900	1,550
Other	13,800	16,766	-2,966	16,800	18,790	-1,990
Total Disbursements	317,050	281,237	35,813	299,650	284,353	15,297
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,121	42,005	45,126	-31,864	37,636	69,500
CASH, JANUARY 1	206,040	206,040	0	164,838	168,404	3,566
CASH, DECEMBER 31	$ 202,919	248,045	45,126	132,974	206,040	73,066

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY DISPATCH FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 362,462	358,397	-4,065	306,925	341,744	34,819
Interest	3,600	4,681	1,081	4,000	15,393	11,393
Other	120	10,480	10,360	100,000	340	-99,660
Total Receipts	366,182	373,558	#VALUE!	410,925	357,477	#VALUE!
DISBURSEMENTS						
Salaries and fringe benefits	215,167	229,092	-13,925	164,654	101,180	63,474
Supplies	19,500	16,789	2,711	0	14,908	-14,908
Equipment purchases	0	25,087	-25,087	341,680	304,689	36,991
Land and building	0	399	-399	189,800	225,840	-36,040
Mileage and training	2,400	2,847	-447	3,500	4,154	-654
Professional services	7,100	6,638	462	58,482	38,145	20,337
Vehicle expense	900	2,332	-1,432	0	903	-903
Utilities	4,800	4,968	-168	0	1,478	-1,478
Telephone	45,000	40,173	4,827	0	4,812	-4,812
Other	17,024	20,481	-3,457	14,632	10,457	4,175
Total Disbursements	311,891	348,806	#VALUE!	772,748	706,566	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS	54,291	24,752	#VALUE!	-361,823	-349,089	#VALUE!
CASH, JANUARY 1	0	74,513	74,513	409,558	423,602	14,044
CASH, DECEMBER 31	$ 54,291	99,265	#VALUE!	47,735	74,513	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Moniteau County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Emergency Dispatch Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Cemetery Trusts Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Sheriff Civil Fee Fund	1997
Mid-States Organized Crime Information Center Fund	1997
Emergency Planning Fund	1997
Local Law Enforcement Block Grant Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Adult Abuse Fund	1998
Sheriff Forfeiture Fund	1998
Sheriff Civil Fee Fund	1998
Emergency Dispatch Fund	1998
Law Enforcement Training Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Associate Circuit Division Interest Fund, Circuit Clerk Interest Fund, and Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's and Emergency Dispatch Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the boards' custodial banks in the boards' names.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $88,381 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $46,623. As of December 31, 1998, $17,481 remains to be paid.

Schedule

MONITEAU COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings

MONITEAU COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

AUDIT REPORT

MARIES COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-100
October 25, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

FACT SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Maries, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Maries County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

< As noted in our prior two reports, the county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by Maries County voters.

While the rollback for 1997 was insufficient as compared to that year's sales tax collections, the rollback for 1998 was sufficient for that year and also resulted in some reduction in the balance of prior years' excess property tax revenue collections. Additional reductions will need to be made in future years to offset the balance of prior years' excess property tax revenue collections.

< In November 1996, Maries County voters passed a one-half cent sales tax for the purpose of renovating the courthouse. The county entered into a contract for courthouse renovations at a cost of $564,762. Ten amendments, or change orders, to the original contract, totaling approximately $99,000, were apparently necessary for a variety of reasons including, bid specification inaccuracies and omissions, unanticipated problems, and additional work the county desired to have completed once the project was underway. Most of the change orders in the county's files were not signed by the county or the contractor and the work related to several change orders was completed before the change order was prepared and authorized. The county's overall documentation related to project change orders was not adequate.

While the County Commission agreed about the documentation, they indicated they did discuss and were aware of the work required by the change orders and they monitored the work throughout the course of the project.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

MARIES COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Maries County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Maries County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Maries County.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain matters regarding the year 2000 issue. Maries County has included such disclosures in Note 3. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 3. Further, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

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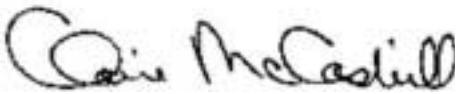
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Maries County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 20, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

May 20, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Maries County, Missouri

We have audited the special-purpose financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 20, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Maries County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 98-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Maries County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions

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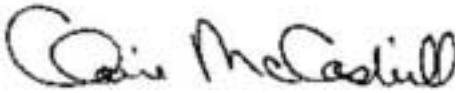
of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weaknesses. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Maries County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 20, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

MARIES COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	60,684	864,070	856,415	68,339
Special Road and Bridge		15,770	1,831,118	1,779,631	67,257
Assessment		13,533	87,222	89,928	10,827
Law Enforcement Training		4,328	3,151	3,116	4,363
Prosecuting Attorney Training		365	491	492	364
Prosecuting Attorney Bad Check		12,046	5,609	17,608	47
Children's Trust		686	336	0	1,022
Law Enforcement		215	9	0	224
Maries County Law Enforcement		3,628	9,256	12,637	247
Recorder's Record Storage		17,971	5,481	159	23,293
911		70,617	62,878	76,904	56,591
Courthouse Renovation		66,766	591,473	657,385	854
Law Library		87	2,904	2,719	272
Family Court		2,107	43	0	2,150
Circuit Clerk Interest		3,454	309	37	3,726
Associate Circuit Division Interest		157	101	238	20
Total	$	272,414	3,464,451	3,497,269	239,596

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MARIES COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	65,187	792,438	796,941	60,684
Special Road and Bridge		64,830	581,790	630,850	15,770
Assessment		3,274	96,280	86,021	13,533
Law Enforcement Training		2,971	3,765	2,408	4,328
Prosecuting Attorney Training		311	903	849	365
Prosecuting Attorney Bad Check		6,698	5,348	0	12,046
Children's Trust		390	296	0	686
Law Enforcement		206	9	0	215
Maries County Law Enforcement		15,978	8,552	20,902	3,628
Recorder's Record Storage		12,927	5,044	0	17,971
911		82,384	61,210	72,977	70,617
Courthouse Renovation		0	111,748	44,982	66,766
Law Library		950	3,086	3,949	87
Family Court		1,950	157	0	2,107
Circuit Clerk Interest		3,148	306	0	3,454
Associate Circuit Division Interest		1,592	271	1,706	157
Total	$	262,796	1,671,203	1,661,585	272,414

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 242,556	223,290	-19,266	244,000	215,087	-28,913
Sales taxes	349,200	352,786	3,586	292,386	344,185	51,799
Intergovernmental	22,474	33,095	10,621	49,895	28,393	-21,502
Charges for services	154,227	135,604	-18,623	155,771	129,335	-26,436
Interest	7,675	6,938	-737	10,500	6,039	-4,461
Other	9,265	42,179	32,914	20,650	69,399	48,749
Transfers in	25,000	70,178	45,178	6,161	0	-6,161
Total Receipts	810,397	864,070	#VALUE!	779,363	792,438	#VALUE!
DISBURSEMENTS						
County Commission	49,480	49,416	64	43,970	43,675	295
County Clerk	45,455	49,128	-3,673	42,335	44,096	-1,761
Elections	35,571	33,494	2,077	15,950	12,157	3,793
Buildings and grounds	38,828	38,310	518	37,300	38,709	-1,409
Employee fringe benefits	77,328	77,290	38	69,900	79,386	-9,486
County Treasurer	18,844	19,916	-1,072	18,780	16,952	1,828
County Collector	51,495	52,179	-684	49,914	48,057	1,857
Circuit Clerk and Ex Officio						
Recorder of Deeds	15,900	15,241	659	16,122	14,406	1,716
Associate Circuit and Probate Courts	6,800	6,445	355	8,225	8,288	-63
Court administration	6,768	2,780	3,988	6,418	3,844	2,574
Public Administrator	7,700	9,104	-1,404	5,050	7,827	-2,777
Sheriff	161,665	174,362	-12,697	155,634	165,815	-10,181
Jail	90,681	110,860	-20,179	93,513	93,793	-280
Prosecuting Attorney	46,615	46,855	-240	44,610	43,629	981
Juvenile Officer	24,075	28,434	-4,359	21,270	30,845	-9,575
County Coroner	10,460	11,118	-658	11,260	9,194	2,066
License Office	19,035	20,681	-1,646	24,406	22,092	2,314
Health and Welfare	9,650	9,201	449	9,950	8,714	1,236
Other	80,234	86,688	-6,454	103,310	82,686	20,624
Transfers out	14,913	14,913	0	22,776	22,776	0
Emergency Fund	23,870	0	23,870	22,215	0	22,215
Total Disbursements	835,367	856,415	-21,048	822,908	796,941	25,967
RECEIPTS OVER (UNDER) DISBURSEMENTS	-24,970	7,655	#VALUE!	-43,545	-4,503	#VALUE!
CASH, JANUARY 1	60,684	60,684	0	63,112	65,187	2,075
CASH, DECEMBER 31	$ 35,714	68,339	#VALUE!	19,567	60,684	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 136,712	125,201	-11,511	122,250	97,419	-24,831
Sales taxes	65,000	59,413	-5,587	64,450	61,613	-2,837
Intergovernmental	403,451	426,777	23,326	372,850	401,148	28,298
Charges for services	0	0	0	6,000	0	-6,000
Interest	2,700	4,215	1,515	3,300	2,927	-373
Other	4,500	14,962	10,462	18,600	11,976	-6,624
Equipment sales	0	606,550	606,550	0	6,707	6,707
Loan proceeds	0	594,000	594,000	0	0	0
Total Receipts	612,363	1,831,118	#VALUE!	587,450	581,790	#VALUE!
DISBURSEMENTS						
Salaries	200,000	189,707	10,293	192,000	193,004	-1,004
Employee fringe benefits	45,910	40,462	5,448	45,190	42,654	2,536
Supplies	72,905	89,251	-16,346	35,000	52,706	-17,706
Insurance	8,000	0	8,000	4,500	7,505	-3,005
Road and bridge materials	71,500	104,089	-32,589	45,000	73,057	-28,057
Equipment purchases	20,775	824,207	-803,432	174,668	45,919	128,749
Road and bridge construction	2,000	11,844	-9,844	2,000	15,830	-13,830
Other	97,320	69,810	27,510	133,795	85,196	48,599
Transfers out	5,975	5,975	0	6,161	0	6,161
Loan payments	100,921	444,286	-343,365	0	114,979	-114,979
Total Disbursements	625,306	1,779,631	#VALUE!	638,314	630,850	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,943	51,487	#VALUE!	-50,864	-49,060	#VALUE!
CASH, JANUARY 1	15,770	15,770	0	64,830	64,830	0
CASH, DECEMBER 31	$ 2,827	67,257	#VALUE!	13,966	15,770	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 73,174	71,436	-1,738	68,148	72,787	4,639
Interest	365	693	328	500	365	-135
Other	400	180	-220	300	352	52
Transfers in	14,913	14,913	0	22,776	22,776	0
Total Receipts	88,852	87,222	-1,630	91,724	96,280	4,556
DISBURSEMENTS						
Assessor	97,641	89,928	7,713	91,724	86,021	5,703
Total Disbursements	97,641	89,928	7,713	91,724	86,021	5,703
RECEIPTS OVER (UNDER) DISBURSEMENTS	-8,789	-2,706	6,083	0	10,259	10,259
CASH, JANUARY 1	13,533	13,533	0	3,274	3,274	0
CASH, DECEMBER 31	$ 4,744	10,827	6,083	3,274	13,533	10,259

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 500	1,052	552	0	813	813
Charges for services	1,500	1,922	422	1,250	2,096	846
Interest	100	177	77	100	142	42
Other	0	0	0	0	714	714
Total Receipts	2,100	3,151	1,051	1,350	3,765	2,415
DISBURSEMENTS						
Sheriff	3,750	3,116	634	2,630	2,408	222
Total Disbursements	3,750	3,116	634	2,630	2,408	222
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,650	35	1,685	-1,280	1,357	2,637
CASH, JANUARY 1	4,328	4,328	0	2,971	2,971	0
CASH, DECEMBER 31	$ 2,678	4,363	1,685	1,691	4,328	2,637

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 850	480	-370	950	890	-60
Interest	0	11	11	40	13	-27
Total Receipts	850	491	-359	990	903	-87
DISBURSEMENTS						
Prosecuting Attorney	850	492	358	1,260	849	411
Total Disbursements	850	492	358	1,260	849	411
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-1	-1	-270	54	324
CASH, JANUARY 1	365	365	0	311	311	0
CASH, DECEMBER 31	$ 365	364	-1	41	365	324

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	4,000	5,004	1,004	3,500	4,982	1,482
Interest	300	605	305	0	366	366
Total Receipts	4,300	5,609	1,309	3,500	5,348	1,848
DISBURSEMENTS						
Prosecuting Attorney	0	390	-390	3,500	0	3,500
Transfers out	9,000	17,218	-8,218	0	0	0
Total Disbursements	9,000	17,608	-8,608	3,500	0	3,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,700	-11,999	-7,299	0	5,348	5,348
CASH, JANUARY 1	12,046	12,046	0	6,698	6,698	0
CASH, DECEMBER 31 $	7,346	47	-7,299	6,698	12,046	5,348

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	250	300	50	260	275	15
Interest	0	36	36	102	21	-81
Transfers in	0	0	0	66	0	-66
Total Receipts	250	336	86	428	296	-132
DISBURSEMENTS						
Domestic violence shelter	500	0	500	0	0	0
Total Disbursements	500	0	500	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-250	336	586	428	296	-132
CASH, JANUARY 1	686	686	0	390	390	0
CASH, DECEMBER 31 $	436	1,022	586	818	686	-132

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	0	9	9	10	9	-1
Total Receipts	0	9	9	10	9	-1
DISBURSEMENTS						
Other	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	9	9	10	9	-1
CASH, JANUARY 1	215	215	0	206	206	0
CASH, DECEMBER 31 $	215	224	9	216	215	-1

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MARIES COUNTY LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	8,500	8,962	462	10,000	8,175	-1,825
Interest	100	294	194	500	377	-123
Total Receipts	8,600	9,256	656	10,500	8,552	-1,948
DISBURSEMENTS						
Equipment	8,000	12,566	-4,566	15,500	20,181	-4,681
Other	500	71	429	0	721	-721
Total Disbursements	8,500	12,637	-4,137	15,500	20,902	-5,402
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	-3,381	-3,481	-5,000	-12,350	-7,350
CASH, JANUARY 1	3,628	3,628	0	15,978	15,978	0
CASH, DECEMBER 31	$ 3,728	247	-3,481	10,978	3,628	-7,350

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S RECORD STORAGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	4,000	4,616	616	5,310	4,408	-902
Interest	600	865	265	481	636	155
Total Receipts	4,600	5,481	881	5,791	5,044	-747
DISBURSEMENTS						
Ex Officio Recorder of Deeds	5,000	159	4,841	4,500	0	4,500
Total Disbursements	5,000	159	4,841	4,500	0	4,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-400	5,322	5,722	1,291	5,044	3,753
CASH, JANUARY 1	17,971	17,971	0	12,927	12,927	0
CASH, DECEMBER 31 $	17,571	23,293	5,722	14,218	17,971	3,753

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MARIES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	61,000	59,639	-1,361	45,935	57,949	12,014
Interest	0	3,239	3,239	0	3,261	3,261
Total Receipts	61,000	62,878	1,878	45,935	61,210	15,275
DISBURSEMENTS						
Salaries	6,000	14,338	-8,338	27,968	5,046	22,922
Equipment	50,000	22,979	27,021	80,855	67,250	13,605
Mileage and training	400	229	171	0	387	-387
Other	0	5,572	-5,572	15,270	294	14,976
Transfers out	0	33,786	-33,786	0	0	0
Total Disbursements	56,400	76,904	-20,504	124,093	72,977	51,116
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,600	-14,026	-18,626	-78,158	-11,767	66,391
CASH, JANUARY 1	70,617	70,617	0	82,384	82,384	0
CASH, DECEMBER 31	$ 75,217	56,591	-18,626	4,226	70,617	66,391

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Maries County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission is responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998 and 1997
Family Court Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	1998
Special Road and Bridge Fund	1998
Prosecuting Attorney Bad Check Fund	1998
Maries County Law Enforcement Fund	1998 and 1997
911 Fund	1998
Courthouse Renovation Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Family Court Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Property Tax

Through December 31, 1998, Maries County had collected $67,295 in excess property taxes. Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Maries County voters enacted 1/2 cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales taxes received.

4. Year 2000 Compliance

The Maries County Commission has reviewed its various computer systems and determined the systems are Year 2000 compliant.

Schedule

MARIES COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Property Tax Reduction Due to Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by Maries County voters under the provisions of Section 67.505, RSMo 1994.

Following are the calculations used in determining excess property tax revenues collected for the two years ended December 31, 1998:

		Tax Year Ended December 31,			
		1998		1997	
Actual sales tax revenue	$	202,009		185,528	
Required percentage of reduction	X	50	%	50	%
Required property tax revenue reduction		101,005		92,764	
Assessed valuation		69,947,720		68,276,269	
General Revenue Fund tax levy reduction (per $100 assessed valuation)	X	0.15		0.13	
Actual property tax revenue reduction		104,922		88,759	
Excess property tax revenues collected		(3,917)		4,005	
Excess property tax revenues collected for prior years		71,212		67,207	
Excess through December 31,	$	67,295		71,212	

While the rollback for 1997 was insufficient as compared to that year's sales tax collections, the rollback for 1998 was sufficient for that year and also resulted in some reduction in the balance of prior years' excess property tax revenue collections. Additional reductions will need to be made in future years to offset the balance of prior years' excess property tax revenue collections. Based on estimated assessed valuation and estimated sales tax revenue as reflected on the 1999 budget, and to account for prior years' excess property tax revenues collected, the County Commission should reduce the General Revenue Fund tax levy in 1999 by 24 cents.

This condition was noted in our prior two reports.

WE RECOMMEND the County Commission continue to reduce the property tax levy adequately to meet the sales tax reduction requirements and ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

AUDITEE'S RESPONSE

We intend to reduce the property tax levy gradually over several years to offset the excess accumulated from prior years. In our opinion we believe we can utilize an erroneous rollback of the road and bridge tax levy in 1996, which reduced road and bridge property taxes collected by approximately $30,000, to offset a portion of the accumulated excess. In addition, based on calculations made when setting the 1999 General Revenue Fund levy it appears this excess may be reduced by approximately $3,000. This would result in an excess property tax collection of approximately $34,000 as of December 31, 1999.

98-2. Courthouse Renovation Project

In November 1996, Maries County voters passed a one-half cent sales tax for the purpose of renovating the courthouse. Renovations involved installation of an elevator and other courthouse improvements. The county contracted with a consulting engineer to design the project and help oversee the construction. In October 1997, the county entered into a contract for courthouse renovations at a cost of $564,762. Ten amendments, or change orders, to the original contract totaling approximately $99,000 were apparently necessary for a variety of reasons including, bid specification inaccuracies and omissions, unanticipated problems, and additional work the County Commission desired to have completed once the project was underway. As of May 1999, payments made to the contractor totaled approximately $617,000.

Our review of the overall project and, in particular, the numerous change orders revealed some concerns with regard to the county's planning and monitoring process, and record keeping procedures.

Most of the change orders in the county's files were not signed by the county or the contractor and the work related to several change orders was completed before the change order was prepared and authorized. The costs related to these change orders totaled $49,409. The project engineer and a county commissioner indicated that because of the nature of the work related to some of the change orders it was necessary to proceed without delay. They also indicated the work was closely monitored and that verbal authorization was given to the contractor to proceed. To ensure a complete understanding of the work and cost of any materials and labor required by change orders and reduce the potential for subsequent misunderstandings, change order documents should be prepared prior to initiation of the related work and be signed by both the contractor and the county.

Two change orders were necessary due to errors or omissions in the original work specifications. In one case, the installation of boiler pumps and accessories was omitted

from the specifications. As a result, all of the original project bids omitted these items. A change order for $32,588 was necessary to correct the oversight. In another case, an air-conditioning unit was found to be undersized after the unit had been purchased. The unit, which cost approximately $2,000, was incorrectly required in the original work specifications. A change order was needed to cover the cost and installation of a larger unit. The county has no current plans for the undersized unit. The county should ensure the work specifications provided to prospective bidders are accurate to provide for complete bids and reduce the possibility of unanticipated costs and inappropriate construction.

The county's overall documentation related to the project change orders was not adequate. Documentation regarding one change order for $12,584 was not on file at the county and had to be obtained from the engineer. Complete documentation regarding the reasons for change orders, change order copies themselves, and any other relevant information should be retained by the county in order to minimize possible misunderstandings and provide adequate support for the related expenditures.

To ensure that adequate resources are available to fund major projects of this type, it is important that the initial project plans be comprehensive and accurate. If change orders are necessary, it is important that they be approved prior to the initiation of the related work to ensure the changes are cost efficient.

WE RECOMMEND the County Commission ensure work specifications are complete and accurate and ensure change orders are prepared, signed and approved by both parties prior to the initiation of the related work.

AUDITEE'S RESPONSE

While some of the change orders were not signed by all parties involved, we were aware of the work required by the change orders and monitored the work along with our engineer throughout the course of the project. Detailed discussions were held regarding each change order. Should similar projects be undertaken again in the future, we will be more careful to ensure work specifications are complete and accurate and documentation is adequate and retained.

Follow-Up on Prior Audit Findings

MARIES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Maries County, Missouri, on a certain finding in our prior audit report issued for the two years ended December 31, 1996. The finding is the one that *Government Auditing Standards* requires to be reported for an audit of financial statements.

4. Property Tax Reduction Due to Sales Tax

The property tax rollback was insufficient for current years' sales tax collections and additional reductions were necessary in future years to offset the balance of prior years' excess property tax revenue collections. The 1997 General Revenue tax levy reflected a 2-cent voluntary reduction; however, the county's intentions with regard to this voluntary reduction were unclear.

Recommendation:

The County Commission ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years. In addition, the County Commission needs to better document decisions regarding tax levy reductions, tax levies set, and their intentions with regard to voluntary levy reductions.

Status:

Partially implemented. In 1998 the County Commission reduced the property tax levy sufficiently and made some progress toward reducing the accumulated excess property tax collections from prior years. While the County Commission has not formally documented its intentions with regard to the 1997 voluntary reduction, this two-cent reduction was utilized by the county when evaluating the results of the 1997 rollback based on actual data. A significant accumulation of excess property tax revenues continues to exist. See finding number 98-1.

SECTION ON OTHER MATTERS

MARIES COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 20, 1999. That report expressed a qualified opinion on the special-purpose financial statements.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Maries County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgetary and Financial Reporting Procedures

   Actual expenditures exceeded approved budgeted amounts for several funds. While it appears the County Clerk and County Commission were aware of excess expenditures for some funds, they need to improve their overall monitoring procedures and documentation of budget amendments. Better anticipation and planning during the budget preparation process would help prevent some of these problems.

   Budgets were not prepared for some county funds and the annual published financial statements did not include the financial activity of some county funds.

2. County Expenditures

   The county does not always adequately document all efforts to obtain bids and does not always maintain documentation to support its decisions to not solicit bids for those purchases where it is considered impractical (ie, sole source).

   The County Commission approves some payments to vendors without requiring approval from the applicable county official or the acknowledgment of receipt of goods or services. In addition, invoices supporting payments and attached to the claim are not always marked paid.

3. Fund Transfers

   The County Commission did not maintain documentation to support the amount of an inter-fund reimbursement. In 1998 the county transferred $32,498 from the 911 Fund to the General

Revenue Fund for reimbursement of dispatching salaries related to 911. The County Commission indicated the amount transferred was derived by estimating the percentage of time dispatchers spend on 911 duties and applying that percentage to total dispatcher salaries, but had no documentation to support the determined percentage and calculation of the amount transferred.

4. Salaries

Effective January 1999, the County Commission increased salaries for elected officials by 2 ½ percent for a cost of living allowance (COLA). At its 1997 meetings the Salary Commission approved an increase in elected officials' salaries by ten percent of the difference between the current salaries and the statutory maximum, effective for terms of office beginning in 1999. There was not adequate information in the Salary Commission minutes or written legal opinions from the county Prosecuting Attorney to support these increases and the method used to calculate them.

This Letter on Other Matters is intended for the information of the management of Maries County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

CITY OF WILLOW SPRINGS, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-99
October 25, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Willow Springs, Missouri.

The City of Willow Springs relies heavily upon the Electric Fund to subsidize other city services. The city does not generate sufficient unrestricted revenue to pay the expenditures incurred for the General Fund, and the board has not developed a plan to operate the fund without this subsidy. The city has not evaluated the possibility of refinancing its current debt.

User fees for water, sewer, and electric services have not been established at levels consistent with the costs of providing those services. Historically, the Electric Fund has generated significant surpluses while the Water and Sewer Funds have operated at a loss. Transfers have been made from the Electric Fund each year to cover losses sustained by the Water and Sewer Funds.

Although the city has reviewed and adjusted electric and water rates, it appears the rates have not yet been set at a level consistent with the costs of providing the services.

Although the city generally solicits bids for significant purchases, adequate bid documentation was not retained for some purchases, including a used bucket truck for $62,000 and tires for $3,033. City officials indicate bids were solicited, however, documentation of the vendors contacted and the bids received were not maintained. Written documentation of bids provides evidence that the board has complied with its procurement policy.

The duties of receiving, recording, and depositing monies are not adequately segregated. The City Treasurer currently performs all of these duties. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or reviews of the work performed by the treasurer. In addition, the board needs to improve procedures regarding the monitoring of cash balances, and documenting its approval of disbursements.

Budgets did not include some information required by state law. Actual expenditures exceeded budgeted amounts. Financial statements were not published semi-annually, and annual financial reports were not filed with the State Auditor's office, as required by state law.

The city does not consistently enforce the business license ordinance.

The city's property records are not up-to-date and city-owned property is not tagged or otherwise identified as belonging to the city.

CITY OF WILLOW SPRINGS, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Willow Springs
Willow Springs, Missouri 65793

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Willow Springs, Missouri. The city had engaged Matthew L. James, Certified Public Accountant (CPA), to perform a financial audit of the city for the year ended December 31, 1998. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA. Our audit of the city included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

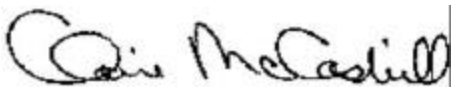
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Willow Springs, Missouri.



Claire McCaskill
State Auditor

May 10, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF WILLOW SPRINGS, MISSOURI
HISTORY AND ORGANIZATION

The city of Willow Springs is located in Howell County. The city was incorporated in 1888 as a fourth-class city. The population of the city in 1990 was 2,038.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in case of a tie. The mayor, board of aldermen, and other principal officials at December 31, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31, 1998*
David Wehmer, Mayor (1)	April 1999	$ 660
Robert E. Peterson, Alderman (2)	April 1999	600
Pat Haney, Alderwoman (3)	April 1999	600
Dawn Biehl, Alderwoman (4)	April 2000	425
Jack Richardson, Alderman (5)	April 2000	50
Jerry Smith, Police Chief/City Marshall	April 2001	25,598
Other Principal Officials		
Tony Logue, City Administrator/ Economic Development Director (6)		N/A
Sharon Mickey, City Clerk (7)		13,766
Crystal Coatney, City Treasurer (8)		7,544
Larry Foster, Fire Chief		2,115
Paul Collins, Street Superintendent		26,294
Tom Frommel, Electric Superintendent (9)		9,448
Rob Rackley, Wastewater Superintendent		24,903
Rodney Aldridge, Water Superintendent		23,295
Chris Swatosh, City Attorney (10)		6,400

All city employees are covered by a $50,000 blanket bond.

* In addition to the above compensation, employees and officials residing within the city limits receive discounted water and electric rates, and employees residing outside the city limits are allowed to deposit trash in the city's trash truck.

(1) Reelected in April 1999.
(2) Karen Dugger was elected in April 1999.
(3) Olive Bowen was elected in April 1999.
(4) Jim Cox served as alderman until April 1998 when Dawn Biehl was elected.
(5) Garry Breidt served as alderman until April 1998 when Jack Richardson was elected.
(6) Appointed in December 1998 to take office January 11, 1999 at an annual salary of $32,000. His salary was increased to $37,045 in March 1999. This position was vacant between August 1998 and December 1998. Greg Smith served as City Administrator prior to his

resignation in August 1998. His compensation for the year ended December 31, 1998 was $23,875.

(7) Appointed in December 1998 to replace Sharon Oliver, who resigned in December 1998.
(8) Appointed in August 1998 to replace Sally Ballard, who resigned in April 1998.
(9) Appointed in July 1998 to replace Gary Barton.
(10) Appointed in May 1998. John Wiles served as City Attorney prior to May 1998.

In addition to the officials listed above, the city employs approximately 28 full and part-time employees.

Assessed valuation and tax rate information for 1998 was as follows:

ASSESSED VALUATION

Real estate	$ 7,593,679
Personal	3,737,333
Total	$11,331,012

TAX RATES PER $100 ASSESSED VALUATION

General	$.46
Library	.14
Total	$.60

The city discontinued levying taxes on real property after 1996.

The city has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	.010	None
Capital improvement	.005	None

MANAGEMENT ADVISORY REPORT

CITY OF WILLOW SPRINGS, MISSOURI
SUMMARY OF FINDINGS

1. City Finances (pages 9-11)

   The city relies heavily upon the Electric Fund to subsidize other city services. The city does not generate sufficient unrestricted revenue to pay the expenditures incurred for the General Fund, and the board has not developed a plan to operate the fund without this subsidy. The city has not evaluated the possibility of refinancing its current debt.

2. City Utilities (pages 11-12)

   User fees have not been set at a level consistent with the costs of providing the services and documentation was not available to support the administrative expenses allocated among the various funds.

3. Accounting Controls and Procedures (pages 12-14)

   Duties are not adequately segregated. The board does not receive adequate financial information to monitor financial transactions and cash balances. Adequate bid documentation was not retained for some purchases, bids were not solicited in some instances, and some bids were not awarded in compliance with city policy. The city does not have a written agreement with the City Attorney.

4. Compensation (page 15)

   The board authorized a salary increase for the Police Chief during his term of office. City employees and elected officials receive discounted utility rates.

5. Budgets and Financial Reporting (pages 16-17)

   Budgets did not include some information required by state law. Actual expenditures exceeded budgeted amounts. Financial statements were not published semi-annually, and annual financial reports were not filed with the State Auditor's office, as required by state law.

6. City Business Licenses (pages 17-18)

   The city does not consistently enforce the business license ordinance.

7. Fixed Asset Records (page 18)

   Current fixed asset records are not maintained, and city-owned property is not tagged or otherwise identified as belonging to the city.

8. Cemetery Records (pages 18-19)

Procedures are not adequate to ensure all cemetery transactions are properly recorded and all monies are remitted to the city.

9. Municipal Division (pages 19-20)

Duties are not adequately segregated. The numerical sequence of summonses and complaint forms was not properly accounted for.

1. City Finances

A. The city relies heavily upon Electric Fund revenues to subisdize other city services. In addition to reimbursements of administrative expenses from the Electric Fund, transfers from the Electric Fund to the various city funds were made as follows:

	Year Ended December 31,		
Fund	1996	1997	1998
General	$ 300,000	350,000	359,900
Water and Sewer	170,000	0	80,000
Recreation	100,000	60,000	66,000
Library	26,000	35,000	38,000
Cemetery	16,000	26,000	40,000
Landfill and Sanitation	0	0	32,000
	$ 612,000	471,000	615,900

The 1999 Electric Fund budget reflects anticipated transfers to various other funds totaling $564,699. In addition to those anticipated transfers, the city made a significant transfer to the General Fund in April 1999. In April 1999, the city obtained a $970,000 grant from the Department of Economic Development for the purchase of the Sequel Corporation land and improvements. The city transferred $116,260 from the Water Fund and $376,077 from the Electric Fund to the General Fund, of which $422,000 served as the city's required matching funds, to cover the payment. The city has entered into a lease agreement with the Sequel Corporation whereby the city is to receive monthly lease payments of $8,372 for a period of fifteen years. The Sequel Corporation has the option to purchase the property at the end of the lease term for the fair market value less previous payments toward the principal.

Revenues of the Electric Fund represent user charges which are intended to cover the cost of providing the related services. It does not appear appropriate to subsidize other city operations from Electric Fund monies. As a result of this situation, electric rates may be set higher than necessary to recover actual costs and city electric customers are being required to subsidize the cost of economic development and other city services through the payment of their electric bills. The board should ensure lease payments received from Sequel Corporation are credited to the Water and Electric Funds in proportion to each fund's investment in the property.

B. Without the continued subsidy from the Electric Fund, the city's General Fund would be in poor financial condition. Historically, the General Fund has been budgeted and operated

at a loss. Electric Fund profits provided approximately 27 percent of the total monies available to operate the city's General Fund during 1998.

In addition, the General Fund has significant outstanding debt. In November 1996 the city entered into a lease purchase agreement for the purchase of approximately 72 acres. The lease required a $51,800 down payment and annual principal and interest payments of $25,907 for a 10 year period ending January 29, 2006. In September 1997 the city entered into a lease purchase agreement for the purchase of approximately 200 acres. The lease required a $45,000 down payment and semi-annual principal and interest payments of $14,472 for a 15 year period ending November 1, 2012. At December 31, 1998, the city owed $331,072 on these leases and $20,000 on a lease for the purchase of a fire truck. The unreserved fund balance of the general fund as of that date was $72,448.

The city continues to incur debt and expenditures from the General Fund although unrestricted revenues are not available for their payment. It appears the Board of Aldermen has made decisions without adequate financial information. As noted elsewhere in this report, budgets adopted by the city did not include comparative data reflecting actual revenues and expenditures for the two previous years. In addition, the board does not review some expenditures and interfund transfers and does not monitor cash balances of the various funds.

The Board of Aldermen needs to closely monitor the ongoing financial condition of the General Fund. In addition, the board should develop a plan which will allow the city to operate without Electric Fund subsidies. If it desires to continue its current level of services, it must increase unrestricted revenues or reduce costs.

C. The city owed $331,072 on lease agreements related to real estate purchases. One lease is financed at a 10.25 percent rate of interest, and the other is financed at an 8.25 percent rate of interest. Although the lease agreements allow for the leases to be paid off prior to maturity, the city has not evaluated the potential cost savings associated with refinancing the leases. The rate of interest on recent issuances of general obligation bonds has ranged between 5 and 6 percent, and issuance costs for a similar sized debt issuance typically range from 2 ½ - 5 percent. Assuming a 6 percent rate of interest and a 5 percent issuance cost, the city could realize a savings of approximately $80,000 over the remaining terms of the leases.

WE RECOMMEND the Board of Aldermen:

A&B. Closely monitor the ongoing financial condition of the various funds. In addition, the board should develop a plan to operate the General Fund without continued subsidies, and limit expenditures and transfers from the Electric Fund to only those which are necessary to operate the city's electric utility operations.

C. Review the lease agreements and investigate the possibility of refinancing the debt.

AUDITEE'S RESPONSE

A&B. The city is working toward lowering electric rates and the General Fund subsidy. However, we believe it is prudent to continue this process over time and not make these changes all at one time.

C. The city has begun negotiations with the lessor to obtain a more competitive rate of interest.

2. City Utilities

A. User fees for water, sewer, and electric services have not been established at levels consistent with the costs of providing those services. Historically, the Electric Fund has generated significant surpluses while the Water and Sewer Funds have operated at a loss. As discussed in MAR No. 1, transfers have been made from the Electric Fund each year to cover losses sustained by the Water and Sewer Funds.

The city has recognized this problem and began taking corrective action during 1998. The city requested the Department of Natural Resources (DNR) perform a study of its water rates. Water rates were increased in January 1999 in response to the DNR study. However, the city did not adopt the full increase recommended by DNR. The city did not change the minimum water charge of $3.40 for the first 1,500 gallons, but the rates for additional gallons over 1,500 doubled. The Mayor conducted a review of electric rates with the help of various other city employees. Electric rates were lowered by approximately 5 percent in January 1999. The Mayor indicated the decrease was intended to achieve more tolerable electric rates while still generating sufficient revenue to subsidize other city services. As noted in MAR No. 1, the Electric Fund currently subsidizes the general operating expenses of the city.

Although the city has reviewed and adjusted electric and water rates, it appears the rates have not yet been set at a level consistent with the costs of providing the services. In addition, the city has not reviewed or adjusted sewer rates to cover the costs of the Sewer Fund. The city should continue to make efforts to establish user fees at a level consistent with the costs of providing only those services. The Electric Fund revenues should not be used to subsidize other utilities or general operating expenses of the city.

B. The city makes monthly transfers from the various utility funds to the General Fund to cover administrative expenditures incurred in the General Fund which benefit utility operations. Administrative expenditures are allocated to the General (40 percent), Electric (32.4 percent), Water (11.4 percent), Sewer (11.4 percent), and Sanitation (4.8 percent) Funds. Administrative transfers to the General Fund totaled $127,161 during the year ended December 31, 1998. City officials indicated the percentages used to allocate administrative expenditures have been in use since 1990. However, records were not available to determine how those percentages were established.

The city needs to properly allocate expenses to the various funds to establish appropriate user fees for its utilities. The city should ensure expenditures are allocated to the various funds in proportion to the benefits received from the expenditures. Documentation should be retained to support the percentages used for allocating expenditures.

WE RECOMMEND the Board of Aldermen:

A. Establish user fees for the various utilities at a level that will cover the costs. In addition, Electric Fund revenues should not be used to subsidize other utilities or general operating expenses of the city.

B. Ensure the percentages used to allocate administrative expenditures to the various funds are reasonable and are supported by adequate documentation.

AUDITEE'S RESPONSE

A. The city is working toward lowering electric rates and the General Fund subsidy. However, we believe it is prudent to continue this process over time and not make these changes all at one time.

B. We are in the process of implementing this recommendation.

3. Accounting Controls and Procedures

A. The duties of receiving, recording, and depositing monies are not adequately segregated. The City Treasurer currently performs all of these duties. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or reviews of the work performed by the treasurer.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, procedures for adequate independent review should be established.

B. The board does not adequately monitor cash balances of the various funds. Monthly reports filed with the board do not reflect up-to-date cash balances. In addition, bank statements are not reconciled to the general ledger cash balances. As a result, errors are not detected in a timely manner. The city's CPA had to prepare numerous correcting entries for the year ended December 31, 1998. In addition to errors noted by the CPA, we noted an interfund transfer that was improperly recorded. The board authorized a transfer of $110,000 from the Electric Fund to the Recreation Fund. However, the monies were actually transferred from the Electric Fund to the Sanitation Fund. The error went undetected by the city.

Bank statements should be reconciled to general ledger balances, and the board should monitor cash balances to ensure transactions have been properly recorded and to detect errors in a timely manner.

C. The City Treasurer provides the board with monthly listings of bills to be paid. However, the listings do not include some disbursements. For example, payroll related disbursements, contractual payments, sales tax remittances, and electronic funds transfers are not included on the listings. In September 1998, the city paid interest and penalty charges totaling $605 for untimely deposit of federal payroll taxes. This disbursement also was not included on the listing provided to the board. Although board minutes make a general reference that listings of bills were approved, the listings are not initialed or signed by the aldermen to document approval.

In addition, the board did not review some interfund transfers and adjusting entries. A $30,000 transfer was made from the Electric Fund to the General Fund to cover a lease payment. Although the board authorized the lease payment to be made from the General Fund, there was no documentation to indicate the board authorized the transfer from the Electric Fund. The city's CPA prepared adjusting entries to reclassify some expenditures and to eliminate negative fund balances in some funds by transferring additional amounts. These entries were recorded in the general ledger, although there was no documentation to indicate the board reviewed or authorized the adjusting entries to be made.

Complete listings of city expenditures and interfund transfers should be reviewed and approved by the Board of Aldermen before payment is made to ensure disbursements represent valid operating costs of the city and that all transfers are appropriate. Listings should be signed or initialed by the aldermen to denote their approval and should be reconciled to actual disbursements. In addition, the board should ensure payroll taxes are deposited in a timely manner to avoid unnecessary penalty and interest charges.

D. The following concerns were noted regarding bidding procedures:

1. Although the city generally solicits bids for significant purchases, adequate bid documentation was not retained for some purchases, including a used bucket truck for $62,000 and tires for $3,033. City officials indicate bids were solicited, however, documentation of the vendors contacted and the bids received were not maintained. In addition, city officials indicate there was only one source for the purchase of hot mix for $28,114 (including labor) and base rock for $2,122. However, board minutes did not document the reason bids were not solicited in these situations.

   Written documentation of bids provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, and documentation of any discussions with vendors. In addition, board minutes should document the circumstances necessitating sole source procurement.

2. The city's procurement policy states that purchases shall be made from the lowest responsible bidder. However, on two occasions during 1997, the city purchased vehicles from a local bidder who was not the lowest bidder; however, the reason for selecting the higher bid was not documented. Complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

E. In May 1998, the city appointed an individual to serve as City Attorney for a fee of $800 per month. The city has not entered into a written agreement with this individual defining the services to be rendered and the compensation to be paid for legal services.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Section 432.070, RSMo 1994, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid.

Conditions similar to parts A. and B. were noted in the city's independent audit report.

WE RECOMMEND the Board of Aldermen:

A. Adequately segregate duties or establish procedures for independent review.

B. Ensure bank statements are reconciled to general ledger cash balances. In addition, the board should require monthly financial reports to include cash balances to allow for proper monitoring of each fund.

C. Ensure detailed and complete listings of bills, interfund transfers, and adjusting entries are prepared and that the board's approval is documented on the listings. In addition, the listings should be reconciled to actual disbursements. The board should also ensure payroll taxes are deposited timely.

D. Retain complete bid documentation. In addition, if sole source procurement is necessary, or the low bid is not selected, these circumstances should be documented in the board minutes.

E. Enter into a written agreement with the City Attorney which defines the services to be provided and the compensation to be paid.

AUDITEE'S RESPONSE

A. We implemented this recommendation in August 1999.

B. We plan to purchase a new software system which will help implement these recommendations.

C. The interest and penalty being incurred was an isolated occurrence which occurred during a change in personnel. We will implement these recommendations.

D&E. We will implement these recommendations.

4. Compensation

A. The Board of Aldermen approved a salary increase for the Police Chief during his term of office. The Police Chief was re-elected in April 1997 to a four-year term ending in April 2001. The Board of Aldermen authorized a $3,000 salary increase effective in January 1999. The Mayor said that the raise was granted because of additional duties that had been assigned to the Police Chief, including that of breathalyser instructor, firearms instructor, and physical fitness trainer. Although the Mayor indicated this was discussed during a board meeting, board minutes contained no documentation of the matter and no ordinance was passed establishing the salary increase and additional duties. The Police Chief said the additional duties were communicated to him verbally.

Section 79.270, RSMo 1994, states that the salary of a municipal officer shall be established by ordinance and shall not be changed during the time for which he was elected

or appointed. Section 79.290 requires that the duties and powers of city officials be established by ordinance. In addition to meeting statutory requirements, establishing duties and compensation by ordinance reduces the potential for misunderstandings.

B. City ordinance provides for city employees and officials living within city limits to receive discounted electric and water rates. The value of these discounts for an average four-member family totals approximately $29 per month. Employees living outside city limits are allowed to deposit their trash in the city's trash truck rather than paying for sanitation services. The value of this benefit is approximately $8 per month. Because the value of these benefits vary with the number of members in each household and whether the employee lives inside or outside of city limits, this does not appear to be an equitable method of compensating employees. In addition, the compensation is not reported on employees' forms W-2. Furthermore, discounting utility rates for city employees and officials interferes with the city's efforts to establish proper user fees for its utilities.

WE RECOMMEND the Board of Aldermen:

A. Document the additional duties (and related compensation) which were assigned during his term of office in a city ordinance. In addition, in the future, the duties and compensation of all city officials should be established by ordinance.

B. Discontinue the practice of discounting utility rates for city employees and officials.

AUDITEE'S RESPONSE

We will or have implemented these recommendations.

5. Budgets and Financial Reporting

A. The budgets for the years ended December 31, 1998 and 1999, did not include actual revenue and expenditures from the two preceding years. Only the two prior years' budget amounts were included. In addition, the budget for the year ended December 31, 1999, did not include beginning or estimated ending available resources.

Section 67.010, RSMo 1994, requires each political subdivision of the state to prepare an annual budget with comparisons of actual revenues and expenditures for the two preceding fiscal years. Prior year comparisons of actual revenues and expenditures need to be included to help ensure accurate amounts are budgeted. A budget should include appropriate revenue and expenditure estimations by classification and include the beginning available resources and reasonable estimates of the ending available resources in order to present a complete financial picture. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

B. During the year ended December 31, 1998, the city approved expenditures in excess of the budgeted amounts for various funds as follows:

	Budgeted	Actual	Actual

Fund	Amount	Expenditures	over Budget
General	$1,201,043	1,275,579	74,536
Capital Improvement	94,110	104,118	10,008
Recreation	69,064	77,099	8,035
Cemetery	30,429	37,646	7,217

In addition, some budget amendments were not adequately documented. In one instance, the board authorized a $30,000 increase in General Fund expenditures to cover a lease payment. However, the increase was not recorded on the budget. In another instance, a $12,000 increase in General Fund expenditures was recorded on the budget, although no documentation was made to indicate the board approved the amendment.

Section 67.040, RSMo 1994, indicates a political subdivision shall not increase the total amount authorized for expenditures from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures. The board should ensure any budget amendments are properly authorized and adequately documented.

C. The city does not publish semi-annual financial statements in accordance with state law. Instead, the city publishes financial statements annually after the independent audit is complete. The financial statement for the year ended December 31, 1998, was published on March 17, 1999.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements within one month of the end of each six month period. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.

This condition was noted in the city's independent audit report.

D. The city has not filed annual reports of financial activity with the State Auditor's office as required by state law. A report was submitted for the year ended December 31, 1998. However, reports were not filed for the years ended December 31, 1995, 1996, and 1997. Section 105.145, RSMo 1994, requires the city to file a financial report with the State Auditor's office annually.

WE RECOMMEND the Board of Aldermen:

A. Ensure budgets contain all information required by state law.

B. Ensure actual expenditures do not exceed budgeted amounts. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.

C. Publish semi-annual financial statements in a timely manner.

D. File annual financial reports with the State Auditor's office as required by state law.

AUDITEE'S RESPONSE

We will comply with these recommendations.

6. City Business Licenses

City ordinance requires all persons or firms engaged in business within the city to obtain a city business license. License fees are $25 and are due January 1 each year. The ordinance provides for a 20 percent penalty to be assessed for delinquent licenses paid after March 1. It further provides for the closure of businesses which fail to comply with the ordinance and for prosecution.

The city does not consistently enforce the business license ordinance. We noted five businesses that paid their 1999 business license fee after March 1, 1999, but were not assessed a penalty. At least two other businesses have not purchased a license at all, but the city has not taken enforcement action. In addition, beauty salons and barber shops are only charged $15 for business licenses, although there appears to be no basis for the reduced fee.

To reduce delinquencies and ensure equitable treatment of all businesses, the city should enforce the business license ordinance in a consistent manner.

WE RECOMMEND the Board of Aldermen consistently enforce the business license ordinance.

AUDITEE'S RESPONSE

We will implement this recommendation.

7. Fixed Asset Records

The city's property records have not been updated since February 1998. In addition, periodic physical inventories of city-owned property are not performed, and the city has not tagged or otherwise identified items as belonging to the city. Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for accurate financial reporting.

To develop appropriate records and procedures for the city's assets, the city needs to review all property owned by the city. Assets should be tagged for specific identification and recorded in a detailed property ledger at historical cost, or estimated historical cost if original cost is not available. The property ledger should also include a description, acquisition date, location, and subsequent disposal, if applicable.

Because of the inadequate property records described above, the city's financial statements for the year ended December 31, 1998, did not include the General Fixed Assets Account Group which is necessary to conform with generally accepted accounting principles.

This matter was noted in the city's independent audit report.

WE RECOMMEND the Board of Aldermen maintain up-to-date property records for general fixed assets that include all pertinent information for each asset, such as tag number, description,

cost, acquisition date, location, and subsequent disposition. In addition, the city should properly tag or otherwise identify all city property and conduct periodic physical inventories for comparison with property records.

AUDITEE'S RESPONSE

We are in the process of implementing these recommendations.

8. Cemetery Records

The city maintains two copies of the cemetery map. The City Clerk is responsible for maintaining the copy which is kept at city hall. The cemetery caretaker is responsible for maintaining the copy which is kept at the cemetery. Payments for the purchase of lots and grave openings may be made at either the cemetery or city hall. When a lot is purchased or a grave opening is performed, the caretaker prepares a sales slip which identifies the lot number and the name of the purchaser or the deceased. The caretaker posts the name of the purchaser or the deceased to his copy of the map. The sales slip and any monies collected are then forwarded to the city hall to be recorded on its records.

Because the two maps are not reconciled periodically, the city has less assurance that all lot purchases and grave openings have been properly recorded and monies have been remitted to the city. During our review, we noted several instances where a grave opening was performed but the name of the deceased was not entered on the copy of the map which is kept at city hall. Periodic reconciliations should be performed to ensure all transactions are properly recorded on both copies of the map to help ensure monies have been properly remitted to the city, and to ensure the same lot is not sold twice.

WE RECOMMEND the Board of Aldermen establish procedures to ensure all cemetery transactions are properly recorded. In addition, the two maps should be reconciled periodically, and any discrepancies should be investigated.

AUDITEE'S RESPONSE

We will implement this recommendation.

9. Municipal Division

A. The Court Clerk performs all duties related to the collection, deposit, recording, and disbursement of fines, court costs, and bonds. Although the Municipal Judge reviews the dispositions recorded on court dockets, independent reviews of the reconciliations between receipts and deposits and of bank statements, including canceled checks and bank reconciliations, are not performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties

of cash custody from that of recording transactions. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliations between receipts and deposits and of bank statements and bank reconciliations.

B. The numerical sequence of summonses and complaint forms is not properly accounted for. The Court Clerk maintains logs to account for the issuance of summonses and complaint forms, however, the logs are not complete. Information regarding the issuance of several summonses and complaint forms was not documented on the logs. In addition, sometimes the date of issuance was not recorded on the logs.

Without a proper accounting of the numerical sequences and disposition of summonses and complaint forms, the police department and the municipal division cannot be assured that all documents are accounted for properly and submitted to the court for processing. Logs should be maintained of the books assigned to officers. In addition, logs should be maintained to account for the issuance of each summons and complaint form to ensure all summonses and complaint forms issued were submitted to the court for processing, properly voided, or not prosecuted.

WE RECOMMEND the city of Willow Springs Municipal Division:

A. Segregate duties of cash custody from that of recording transactions and reconciling bank statements. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between receipts and deposits and a review of bank statements and bank reconciliations.

B. Work with the Police Department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses and complaint forms issued.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

I will work with the city to try and implement these recommendations.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

TEXAS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-98
October 21, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Texas, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Texas County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

TEXAS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Texas County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Texas County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Texas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Texas County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Texas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Texas County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues,*

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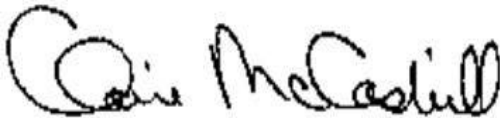
as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will be year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 23, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

June 23, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Texas County, Missouri

We have audited the special-purpose financial statements of various funds of Texas County, Missouri, as of and for the years ended December 31, 1998 and 97, and have issued our report thereon dated June 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Texas County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Texas County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

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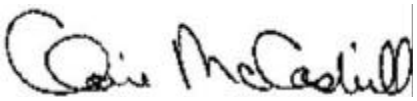
performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters..

This report is intended for the information of the management of Texas County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 23, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

TEXAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	637,033	1,159,988	1,270,167	526,854
Special Road and Bridge		153,787	915,552	917,478	151,861
Assessment		0	158,999	158,999	0
Law Enforcement Training		6,480	9,149	8,754	6,875
Prosecuting Attorney Training		99	3,914	3,885	128
WRI-TEX 911		429,783	323,820	357,509	396,094
Recorders User Fees		17,919	12,643	21,736	8,826
Law Enforcement Operations		12,454	17,231	12,949	16,736
Rescue Unit		14,675	746	2,467	12,954
Domestic Violence		16,418	3,321	3,050	16,689
Prosecuting Attorney Bad Check		9,558	16,727	17,320	8,965
Computerization		3,802	0	3,802	0
Local Emergency Preparedness Committee		15,349	2,341	6,566	11,124
Garner Covert Memorial Trust		14,578	835	40	15,373
Health Center		97,485	398,525	378,026	117,984
Habilitation Services		68,482	140,923	140,345	69,060
Block Grant		0	4,564	4,525	39
Circuit Clerk Interest		32,803	1,815	1,342	33,276
Law Library		2,365	4,375	1,198	5,542
Associate Circuit Division Interest		3,949	1,116	0	5,065
Probate Division Interest		367	25	5	387
Total	$	1,537,386	3,176,609	3,310,163	1,403,832

Exhibit A-2

TEXAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	665,216	1,072,926	1,101,109	637,033
Special Road and Bridge		126,613	924,211	897,037	153,787
Assessment		0	155,448	155,448	0
Law Enforcement Training		7,011	7,109	7,640	6,480
Prosecuting Attorney Training		120	2,594	2,615	99
WRI-TEX 911		395,019	343,953	309,189	429,783
Recorders User Fees		20,631	11,294	14,006	17,919
Law Enforcement Operations		24,058	5,937	17,541	12,454
Rescue Unit		13,800	875	0	14,675
Domestic Violence		14,996	3,522	2,100	16,418
Prosecuting Attorney Bad Check		5,419	15,254	11,115	9,558
Computerization		11,327	125	7,650	3,802
Local Emergency Preparedness Committee		5,796	12,686	3,133	15,349
Garner Covert Memorial Trust		13,922	776	120	14,578
Health Center		154,013	405,053	461,581	97,485
Habilitation Services		69,053	98,907	99,478	68,482
Circuit Clerk Interest		36,277	2,835	6,309	32,803
Law Library		1,088	3,015	1,738	2,365
Associate Circuit Division Interest		3,044	920	15	3,949
Probate Division Interest		337	30	0	367
	$	1,567,740	3,067,470	3,097,824	1,537,386

Exhibit B

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 40,000	42,245	2,245	45,000	44,002	-998
Sales taxes	601,600	622,853	21,253	561,000	584,954	23,954
Intergovernmental	63,450	150,220	86,770	80,400	141,888	61,488
Charges for services	194,900	235,923	41,023	182,000	194,485	12,485
Interest	23,000	30,282	7,282	22,500	39,577	17,077
Other	47,665	41,042	-6,623	17,000	31,609	14,609
Transfers in	37,200	37,423	223	30,000	36,411	6,411
Total Receipts	1,007,815	1,159,988	#VALUE!	937,900	1,072,926	#VALUE!
DISBURSEMENTS						
County Commission	59,228	57,567	1,661	59,450	59,113	337
County Clerk	88,400	85,555	2,845	88,952	79,585	9,367
Elections	63,000	38,864	24,136	50,000	16,385	33,615
Buildings and grounds	107,752	78,592	29,160	103,342	58,001	45,341
Employee fringe benefits	162,000	128,941	33,059	133,000	126,480	6,520
County Treasurer	53,218	52,799	419	49,598	49,674	-76
County Collector	12,000	11,836	164	15,000	9,021	5,979
County Surveyor	4,500	2,200	2,300	3,700	2,200	1,500
Circuit Clerk/Ex Officio Recorder of Deeds	39,280	37,586	1,694	37,812	37,042	770
Associate Circuit Court	11,260	8,974	2,286	12,060	10,099	1,961
Court administration	51,225	31,797	19,428	50,135	30,035	20,100
Public Administrator	6,900	11,054	-4,154	6,600	6,600	0
Sheriff	174,650	167,658	6,992	214,685	222,491	-7,806
Jail	129,748	158,901	-29,153	121,343	134,213	-12,870
Prosecuting Attorney	75,040	78,801	-3,761	70,180	70,857	-677
Juvenile Officer	67,860	75,037	-7,177	60,000	57,310	2,690
County Coroner	10,064	9,029	1,035	10,050	10,207	-157
Insurance & Bonds	28,000	17,200	10,800	0	22,599	-22,599
Debt service	12,000	11,552	448	12,000	11,853	147
Other	361,083	169,628	191,455	297,254	49,411	247,843
Transfers out	40,335	36,596	3,739	41,243	37,933	3,310
Emergency Fund	30,000	0	30,000	34,800	0	34,800
Total Disbursements	1,587,543	1,270,167	317,376	1,471,204	1,101,109	370,095
RECEIPTS OVER (UNDER) DISBURSEMENTS	-579,728	-110,179	#VALUE!	-533,304	-28,183	#VALUE!
CASH, JANUARY 1	637,033	637,033	0	665,216	665,216	0
CASH, DECEMBER 31	$ 57,305	526,854	#VALUE!	131,912	637,033	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 900,000	907,670	7,670	810,000	915,775	105,775
Charges for services	0	70	70	100	0	-100
Interest	5,000	7,812	2,812	1,000	8,436	7,436
Total Receipts	905,000	915,552	10,552	811,100	924,211	113,111
DISBURSEMENTS						
Distribution to townships	850,150	868,806	-18,656	862,312	853,684	8,628
Road sign project	20,850	13,369	7,481	0	15,435	-15,435
Insurance	2,000	766	1,234	0	1,088	-1,088
Construction, repair, and maintenance	79,235	7,229	72,006	0	0	0
Transfers out	27,000	27,308	-308	0	26,830	-26,830
Total Disbursements	979,235	917,478	61,757	862,312	897,037	-34,725
RECEIPTS OVER (UNDER) DISBURSEMENTS	-74,235	-1,926	72,309	-51,212	27,174	78,386
CASH, JANUARY 1	153,787	153,787	0	126,613	126,613	0
CASH, DECEMBER 31	$ 79,552	151,861	72,309	75,401	153,787	78,386

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 124,535	117,508	-7,027	118,142	114,834	-3,308
Interest	500	1,104	604	500	765	265
Other	2,000	3,792	1,792	500	1,916	1,416
Transfers in	38,835	36,595	-2,240	39,243	37,933	-1,310
Total Receipts	165,870	158,999	-6,871	158,385	155,448	-2,937
DISBURSEMENTS						
Assessor	165,870	158,999	6,871	158,385	155,448	2,937
Total Disbursements	165,870	158,999	6,871	158,385	155,448	2,937
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	1,800	1,758	-42	0	0	0
Charges for services	$ 6,000	7,036	1,036	7,500	6,725	-775
Interest	500	355	-145	100	384	284
Total Receipts	8,300	9,149	849	7,600	7,109	-491
DISBURSEMENTS						
Sheriff	14,780	8,754	6,026	14,611	7,640	6,971
Total Disbursements	14,780	8,754	6,026	14,611	7,640	6,971
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,480	395	6,875	-7,011	-531	6,480
CASH, JANUARY 1	6,480	6,480	0	7,011	7,011	0
CASH, DECEMBER 31	$ 0	6,875	6,875	0	6,480	6,480

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,300	3,066	1,766	2,600	2,579	-21
Interest	100	22	-78	10	15	5
Other	0	826	826	0	0	0
Total Receipts	1,400	3,914	2,514	2,610	2,594	-16
DISBURSEMENTS						
Prosecuting Attorney	1,499	3,885	-2,386	2,730	2,615	115
Total Disbursements	1,499	3,885	-2,386	2,730	2,615	115
RECEIPTS OVER (UNDER) DISBURSEMENTS	-99	29	128	-120	-21	99
CASH, JANUARY 1	99	99	0	120	120	0
CASH, DECEMBER 31	$ 0	128	128	0	99	99

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
WRI-TEX 911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 315,525	300,056	-15,469	284,000	315,975	31,975
Interest	23,000	23,764	764	23,000	26,436	3,436
Other	1,000	0	-1,000	0	1,542	1,542
Total Receipts	339,525	323,820	-15,705	307,000	343,953	36,953
DISBURSEMENTS						
Salaries	207,000	195,598	11,402	175,475	182,626	-7,151
Office expenditures	11,100	9,057	2,043	10,800	9,242	1,558
Equipment	118,352	68,049	50,303	99,298	2,814	96,484
Mileage and training	6,200	5,065	1,135	6,200	3,968	2,232
Administration expense	10,000	0	10,000	10,000	2,310	7,690
Mapping	1,000	0	1,000	1,000	32,340	-31,340
Installation and service charges	68,000	69,362	-1,362	65,000	66,158	-1,158
Other	5,200	263	4,937	5,100	150	4,950
Transfers out	10,200	10,115	85	10,000	9,581	419
Total Disbursements	437,052	357,509	79,543	382,873	309,189	73,684
RECEIPTS OVER (UNDER) DISBURSEMENTS	-97,527	-33,689	63,838	-75,873	34,764	110,637
CASH, JANUARY 1	429,783	429,783	0	393,146	395,019	1,873
CASH, DECEMBER 31	$ 332,256	396,094	63,838	317,273	429,783	112,510

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDERS USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,000	11,740	1,740	10,000	9,950	-50
Interest	1,000	903	-97	1,000	1,344	344
Total Receipts	11,000	12,643	1,643	11,000	11,294	294
DISBURSEMENTS						
Recorder	28,919	21,736	7,183	31,631	14,006	17,625
Total Disbursements	28,919	21,736	7,183	31,631	14,006	17,625
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,919	-9,093	8,826	-20,631	-2,712	17,919
CASH, JANUARY 1	17,919	17,919	0	20,631	20,631	0
CASH, DECEMBER 31	$ 0	8,826	8,826	0	17,919	17,919

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT OPERATIONS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 18,705	16,485	-2,220	8,125	5,374	-2,751
Interest	500	746	246	100	563	463
Total Receipts	19,205	17,231	-1,974	8,225	5,937	-2,288
DISBURSEMENTS						
Sheriff	31,259	12,949	18,310	32,283	17,541	14,742
Total Disbursements	31,259	12,949	18,310	32,283	17,541	14,742
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,054	4,282	16,336	-24,058	-11,604	12,454
CASH, JANUARY 1	12,454	12,454	0	24,058	24,058	0
CASH, DECEMBER 31	$ 400	16,736	16,336	0	12,454	12,454

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RESCUE UNIT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	13,000	0	-13,000
Interest	500	746	246	100	875	775
Other	500	0	-500	100	0	-100
Total Receipts	1,000	746	-254	13,200	875	-12,325
DISBURSEMENTS						
Rescue Unit	15,675	2,467	13,208	27,000	0	27,000
Total Disbursements	15,675	2,467	13,208	27,000	0	27,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-14,675	-1,721	12,954	-13,800	875	14,675
CASH, JANUARY 1	14,675	14,675	0	13,800	13,800	0
CASH, DECEMBER 31	$ 0	12,954	12,954	0	14,675	14,675

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	2,500	2,430	-70	2,300	2,540	240
Interest	900	891	-9	500	982	482
Total Receipts	3,400	3,321	-79	2,800	3,522	722
DISBURSEMENTS						
Domestic Violence Shelter	19,818	3,050	16,768	17,796	2,100	15,696
Total Disbursements	19,818	3,050	16,768	17,796	2,100	15,696
RECEIPTS OVER (UNDER) DISBURSEMENTS	-16,418	271	16,689	-14,996	1,422	16,418
CASH, JANUARY 1	16,418	16,418	0	14,996	14,996	0
CASH, DECEMBER 31 $	0	16,689	16,689	0	16,418	16,418

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	5,366	5,366	0	0	0
Charges for services	13,000	10,775	-2,225	10,000	14,830	4,830
Interest	400	586	186	100	424	324
Total Receipts	13,400	16,727	3,327	10,100	15,254	5,154
DISBURSEMENTS						
Prosecuting Attorney	22,958	17,320	5,638	15,519	11,115	4,404
Total Disbursements	22,958	17,320	5,638	15,519	11,115	4,404
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,558	-593	8,965	-5,419	4,139	9,558
CASH, JANUARY 1	9,558	9,558	0	5,419	5,419	0
CASH, DECEMBER 31	$ 0	8,965	8,965	0	9,558	9,558

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMPUTERIZATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	0	0	0	0	125	125
Total Receipts	0	0	0	0	125	125
DISBURSEMENTS						
Other	3,613	3,613	0	11,263	7,650	3,613
Transfers Out	189	189	0	64	0	64
Total Disbursements	3,802	3,802	0	11,327	7,650	3,677
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,802	-3,802	0	-11,327	-7,525	3,802
CASH, JANUARY 1	3,802	3,802	0	11,327	11,327	0
CASH, DECEMBER 31 $	0	0	0	0	3,802	3,802

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PREPAREDNESS COMMITTEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	4,000	1,715	-2,285	5,000	12,022	7,022
Interest	500	626	126	50	664	614
Total Receipts	4,500	2,341	-2,159	5,050	12,686	7,636
DISBURSEMENTS						
Committee Operation	19,849	6,566	13,283	10,846	3,133	7,713
Total Disbursements	19,849	6,566	13,283	10,846	3,133	7,713
RECEIPTS OVER (UNDER) DISBURSEMENTS	-15,349	-4,225	11,124	-5,796	9,553	15,349
CASH, JANUARY 1	15,349	15,349	0	5,796	5,796	0
CASH, DECEMBER 31 $	0	11,124	11,124	0	15,349	15,349

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

TEXAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GARNER COVERT MEMORIAL TRUST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 800	835	35
Total Receipts	800	835	35
DISBURSEMENTS			
Indigent grants	1,000	0	1,000
Indigent loans	1,000	0	1,000
Miscellaneous	1,378	40	1,338
Total Disbursements	3,378	40	3,338
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,578	795	3,373
CASH, JANUARY 1	14,578	14,578	0
CASH, DECEMBER 31	$ 12,000	15,373	3,373

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 118,792	120,917	2,125	115,904	113,825	-2,079
Intergovernmental	221,105	239,721	18,616	240,656	257,042	16,386
Charges for services	15,100	17,971	2,871	11,200	16,390	5,190
Interest	5,500	7,238	1,738	6,000	6,792	792
Other	10,940	12,678	1,738	8,540	11,004	2,464
Total Receipts	371,437	398,525	27,088	382,300	405,053	22,753
DISBURSEMENTS						
Salaries	313,597	306,879	6,718	290,780	294,551	-3,771
Office expenditures	53,667	45,133	8,534	49,200	53,421	-4,221
Equipment	7,500	6,909	591	11,500	6,398	5,102
Mileage and training	12,175	11,281	894	19,200	14,928	4,272
Other	12,000	7,824	4,176	91,250	92,283	-1,033
Total Disbursements	398,939	378,026	20,913	461,930	461,581	349
RECEIPTS OVER (UNDER) DISBURSEMENTS	-27,502	20,499	48,001	-79,630	-56,528	23,102
CASH, JANUARY 1	97,485	97,485	0	154,213	154,013	-200
CASH, DECEMBER 31	$ 69,983	117,984	48,001	74,583	97,485	22,902

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

TEXAS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HABILITATION SERVICES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 110,000	136,948	26,948	93,000	95,782	2,782
Intergovernmental	1,000	1,935	935	2,000	77	-1,923
Interest	2,000	2,040	40	2,000	3,048	1,048
Total Receipts	113,000	140,923	27,923	97,000	98,907	1,907
DISBURSEMENTS						
Contract Services	141,969	138,813	3,156	97,800	97,800	0
Other	3,575	1,532	2,043	68,253	1,678	66,575
Total Disbursements	145,544	140,345	5,199	166,053	99,478	66,575
RECEIPTS OVER (UNDER) DISBURSEMENTS	-32,544	578	33,122	-69,053	-571	68,482
CASH, JANUARY 1	86,449	68,482	-17,967	69,053	69,053	0
CASH, DECEMBER 31	$ 53,905	69,060	15,155	0	68,482	68,482

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Texas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Habilitation Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Garner Covert Memorial Fund	1997
Block Grant Fund	1998
Circuit Clerk Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Special Road and Bridge Fund	1997
Prosecuting Attorney Training Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Circuit Clerk Interest Fund, Law Library Fund, Associate Circuit Division Interest fund, and Probate Division Interest Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's and Habilitation Services Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the applicable board's name.

Schedule

TEXAS COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings

TEXAS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

SECTION ON OTHER MATTERS

TEXAS COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Texas County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 23, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents a matter other than the findings, if any, reported in the accompanying Schedule of Findings. This matter resulted from our audit of the special-purpose financial statements of Texas County but does not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider this matter and take appropriate corrective action.

Budgetary Practices

The County Commission did not prepare and approve budget amendments on a timely basis. Budget amendments for 1997 were not approved and filed until January 12, 1998. The county approved disbursements in excess of budgeted amounts for the Special Road and Bridge Fund and the Prosecuting Attorney Training Fund. In addition, several budgets prepared by the county did not adequately reflect the county's anticipated financial position. Appropriations were budgeted to use all available resources. The practice of budgeting to spend all available resources decreases the effectiveness of the budget as a management planning tool and as a control over disbursements.

This Letter on Other Matters is intended for the information of the management of Texas County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

REVIEW OF

FORFEITED PROPERTY

From The Office Of State Auditor
Claire McCaskill

Report No. 99-97
October 8, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

FACT SHEET

The following information was determined and conclusions reached during our office's audit of forfeited property.

- Total seizures in the state were approximately $47 million ($7 million by state law enforcement agencies and $40 million by federal law enforcement agencies) during the three years ended December 31, 1998. During this period, Missouri law enforcement agencies received more than $19 million in Equitable Sharing proceeds. Five law enforcement agencies received 71 percent of the Equitable Sharing proceeds distributed with the State Highway Patrol receiving approximately $3.5 million of these proceeds.

- The majority (85%) of the money and property seized on investigations participated in by Missouri law enforcement officers are handled under federal forfeiture laws.

- The total seizure dollars of $47 million when compared to the state foundation formula would be less than 1 percent of the funding provided to local schools. In addition, the $3.5 million proceeds received by the Highway Patrol represents less than 1 percent of its state operating funding.

- The majority of seizure cases handled by federal agencies with local law enforcement participation relate to criminal investigations controlled or partially controlled by the federal agency or it is unlikely the seizure could have been successfully forfeited under the Criminal Activity Forfeiture Act (CAFA) as it is currently structured or has been interpreted. The local law enforcement participation usually relates to officers assigned to federal task forces. Due to the fact that these local law enforcement officers could be subject to conflicting state and federal forfeiture regulations it is unclear which regulations should take precedence when a seizure occurs.

- Local law enforcement officers sometimes did not report property which may have been subject to seizure under the CAFA to county Prosecuting Attorneys or the Attorney General prior to contacting federal authorities to handle the seizure. The prosecutors have not been given the opportunity to determine how to proceed with these potential forfeiture cases.

- The state's CAFA (Sections 513.600 to 513.653 RSMo 1994) has unclear, incomplete or restrictive requirements which need to be addressed:

    1. Section 513.605 RSMo 1994 contains many definitions to be used when interpreting the CAFA; however, it fails to define when a "seizure" is considered to have taken place.

    2. The CAFA's restrictive time limits for when law enforcement officers must report seizures to prosecutors and for when the prosecutors must make a decision on when to file petitions for forfeiture may be contributing to some seizures being transferred by court order to federal authorities.

(over)

3. Section 513.607 RSMo 1994 which requires prosecutors to file annual seizure reports with the Department of Public Safety (DPS) is unclear regarding what the DPS is to do with the reports and several other reporting issues. The statute also does not specify a required report format or address submission noncompliance.

4. Section 513.647 RSMo 1994 allows seizures to be transferred to federal authorities under certain circumstances; however, the requirements allow virtually any seizure to be transferred by court order even when the corresponding criminal case remains in state courts to be prosecuted.

5. The CAFA generally has been interpreted to prohibit seized property from being forfeited unless the individual the property is seized from is convicted of or pleads guilty to a felony charge substantially related to the seizure. However, for many traffic stops by law enforcement officers which result in suspected narcotics proceeds being discovered, the vehicle occupants committed no felony crime for which they can be charged related to these monies. The expanded use of In Rem proceedings could allow some of these seizures to be forfeited under the CAFA.

6. Section 513.653 RSMo 1994 requires law enforcement agencies receiving Equitable Sharing proceeds to have those monies audited annually with the report being submitted to the State Auditor's Office (SAO); however, the statute does not address submission noncompliance or the fact that many law enforcement agencies receive very little Equitable Sharing proceeds annually.

! For the year ended December 31, 1998, only 57 percent (66/116) of prosecutors filed seizure reports with the DPS as required by Section 513.607 RSMo 1994. Most prosecutors in jurisdictions involved in a significant amount of seizure activity appropriately filed reports.

! During the two years ended December 31, 1997, the SAO received audit reports from seventy of ninety-four (75 percent) city and county governments with law enforcement agencies that received Equitable Sharing proceeds; however, it was not always clear if the Equitable Sharing proceeds were audited. Only twenty-seven of the ninety-four (28 percent) reports submitted clearly showed that the Equitable Sharing proceeds were audited; however, the reports represented 78 percent of the proceeds distributed to law enforcement agencies in these jurisdictions. Only three of eleven (27 percent) task forces which received Equitable Sharing proceeds during this period submitted audit reports which clearly showed the proceeds were audited.

REVIEW OF FORFEITED PROPERTY

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Members of the General Assembly

We have conducted a statewide review of seized and forfeited property. The objectives of this review were to:

1. Survey Missouri law enforcement agencies regarding seizure activity, compliance with state seizure and forfeiture laws and participation in the Federal Equitable Sharing Program.

2. Determine the amount of state and federal seizure activity in the state and its potential impact on school funding.

3. Analyze state and federal seizure cases participated in by state and local law enforcement agencies.

4. Review state seizure and forfeiture laws and determine any areas of concern needing improvement or clarification.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary under the circumstances. In this regard, we reviewed applicable state and federal laws, analyzed responses to surveys distributed, interviewed applicable personnel of various federal, state and local law enforcement organizations, and reviewed certain records and documents.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

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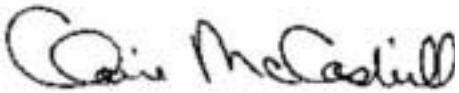
The comments and analysis presented in the report represent our conclusions arising from our statewide review of seized and forfeited property.



Claire C. McCaskill
State Auditor

July 9, 1999 (fieldwork completion date)

EXECUTIVE SUMMARY

We determined that total seizures in the state were approximately $47 million ($7 million by state law enforcement agencies and $40 million by federal law enforcement agencies) during the three years ended December 31, 1998. During this period, Missouri law enforcement agencies received more than $19 million in Equitable Sharing proceeds. Five law enforcement agencies received 71 percent of the Equitable Sharing proceeds distributed with the State Highway Patrol receiving approximately $3.5 million of these proceeds.

From our audit procedures we reached the following conclusions:

- The majority (85%) of the money and property seized on investigations participated in by Missouri law enforcement officers are handled under federal forfeiture laws.

- The total seizure dollars of $47 million when compared to the state foundation formula would be less than 1 percent of the funding provided to local schools. In addition, the $3.5 million proceeds received by the Highway Patrol represents less than 1 percent of its state operating funding.

- The majority of seizure cases handled by federal agencies with local law enforcement participation relate to criminal investigations controlled or partially controlled by the federal agency or it is unlikely the seizure could have been successfully forfeited under the Criminal Activity Forfeiture Act (CAFA) as it is currently structured or has been interpreted. The local law enforcement participation usually relates to officers assigned to federal task forces. Due to the fact that these local law enforcement officers could be subject to conflicting state and federal forfeiture regulations it is unclear which regulations should take precedence when a seizure occurs.

- Local law enforcement officers sometimes did not report property which may have been subject to seizure under the CAFA to county Prosecuting Attorneys or the Attorney General prior to contacting federal authorities to handle the seizure. The prosecutors have not been given the opportunity to determine how to proceed with these potential forfeiture cases.

- The state's CAFA (Sections 513.600 to 513.653 RSMo 1994) has unclear, incomplete or restrictive requirements which need to be addressed:

    1. Section 513.605 RSMo 1994 contains many definitions to be used when interpreting the CAFA; however, it fails to define when a "seizure" is considered to have taken place.

    2. The CAFA's restrictive time limits for when law enforcement officers must report seizures to prosecutors and for when the prosecutors must make a decision on

when to file petitions for forfeiture may be contributing to some seizures being transferred by court order to federal authorities.

3. Section 513.607 RSMo 1994 which requires prosecutors to file annual seizure reports with the Department of Public Safety (DPS) is unclear regarding what the DPS is to do with the reports and several other reporting issues. The statute also does not specify a required report format or address submission noncompliance.

4. Section 513.647 RSMo 1994 allows seizures to be transferred to federal authorities under certain circumstances; however, the requirements allow virtually any seizure to be transferred by court order even when the corresponding criminal case remains in state courts to be prosecuted.

5. The CAFA generally has been interpreted to prohibit seized property from being forfeited unless the individual the property is seized from is convicted of or pleads guilty to a felony charge substantially related to the seizure. However, for many traffic stops by law enforcement officers which result in suspected narcotics proceeds being discovered, the vehicle occupants committed no felony crime for which they can be charged related to these monies. The expanded use of In Rem proceedings could allow some of these seizures to be forfeited under the CAFA.

6. Section 513.653 RSMo 1994 requires law enforcement agencies receiving Equitable Sharing proceeds to have those monies audited annually with the report being submitted to the State Auditor's Office (SAO); however, the statute does not address submission noncompliance or the fact that many law enforcement agencies receive very little Equitable Sharing proceeds annually.

! For the year ended December 31, 1998, only 57 percent (66/116) of prosecutors filed seizure reports with the DPS as required by Section 513.607 RSMo 1994. Most prosecutors in jurisdictions involved in a significant amount of seizure activity appropriately filed reports.

! During the two years ended December 31, 1997, the SAO received audit reports from seventy of ninety-four (75 percent) city and county governments with law enforcement agencies that received Equitable Sharing proceeds; however, it was not always clear if the Equitable Sharing proceeds were audited. Only twenty-seven of the ninety-four (28 percent) reports submitted clearly showed that the Equitable Sharing proceeds were audited; however, the reports represented 78 percent of the proceeds distributed to law enforcement agencies in these jurisdictions. Only three of eleven (27 percent) task forces which received Equitable Sharing proceeds during this period submitted audit reports which clearly showed the proceeds were audited.

I - AUDIT METHODOLOGY

AUDIT METHODOLOGY

We performed the following procedures as part of our audit work:

- Reviewed state law regarding seized and forfeited property and school funding.
- Reviewed federal law regarding seized and forfeited property and the requirements of the Federal Equitable Sharing Program.
- Obtained and reviewed seizure and forfeiture laws for other states and analyzed information on Equitable Sharing distributions in those states.
- Tested audit report submission compliance for law enforcement agencies receiving Equitable Sharing proceeds.
- Tested Prosecuting Attorney seizure report submission compliance and summarized the data for those reports submitted to the Department of Public Safety.
- Sent surveys to county Sheriffs and Prosecuting Attorneys, city police departments, the State Highway Patrol and multi-jurisdictional task forces regarding property seized under the CAFA, proceeds received from the Equitable Sharing Program, seizures transferred to federal authorities and seizures participated in which were taken or controlled by federal authorities.
- Evaluated and conducted follow up audit work regarding the survey responses.
- Visited several law enforcement agencies to review the facts of some of the cases involving seizures participated in by those agencies.
- Requested and received seizure and Equitable Sharing distribution data from the Department of Justice and the Department of the Treasury regarding Missouri law enforcement agencies. Compared this data with the survey responses and resolved material differences.

II - INTRODUCTORY SECTION

Introductory Section

This section will provide background information on the following areas:

- Federal Forfeiture Law
- Missouri's Criminal Activity Forfeiture Act (CAFA)
- Federal Equitable Sharing Program
- State Funding to Public Schools

This section is designed to provide a summary of some of the laws and programs which impact seized and forfeited property.

State and Federal Forfeiture Laws

Federal Forfeiture Law

Various federal laws allow for criminal and civil forfeiture of property associated with criminal activity. The majority of the federal seizures we reviewed as part of this review were handled under the civil forfeiture process. Federal law, 21 U.S.C. 881 allows for civil forfeiture of any money, property or weapons which can be shown to have a connection to illegal drug trafficking.

The federal agency seizing the property is allowed to administratively forfeit all monetary instruments (cash, checks, stocks, bonds etc.) of unlimited value and other property which is valued at less than $500,000. For administrative forfeiture the owner is given notice of the seizure which informs him or her of the requirements for filing a claim and posting a bond in order to challenge the action being taken. The owner's claim must state that he or she has an interest in the property and an argument to protest the forfeiture. In the event a claim is not filed, a summary judgement is ordered and the property is forfeited. If a verified claim is filed, the administrative forfeiture case becomes a judicial forfeiture case.

Judicial forfeiture is required for seized property with a value over $500,000, property for which a verified claim and bond have been received, and all real estate. Under judicial forfeiture the federal government files a complaint and a hearing is held. The federal complaint generally shows that probable cause exists for forfeiture. The burden of proof is therefore shifted to the owner to show that the property is, by a preponderance of the evidence, not subject to forfeiture. During a federal civil forfeiture proceeding the criminal or drug history of the individual the property was seized from and the circumstances surrounding the seizure will be considered when attempting to show that it was used or derived from criminal activity. A federal civil forfeiture case can be established and successfully adjudicated without the individual from whom the property was seized being charged or convicted of any felony criminal act. In the event the burden of proof is not met by the property owner, a summary judgement is ordered and the property is forfeited to the federal government. Conversely, if the burden of proof is met, the property is returned to the owner.

Missouri's Criminal Activity Forfeiture Act (CAFA)

Missouri's CAFA comprises Sections 513.600 to 513.653 RSMo 1994. All property intended for use in the course of, derived from, or realized through criminal activity is subject to civil forfeiture. Seizures of this property may be made by state and local law enforcement officers if the seizure is incident to a lawful arrest, search, or inspection and the officer has probable cause to believe the property is subject to forfeiture. Within four days of the date of seizure, the law enforcement officer must report the seizure to either the state Attorney General or the Prosecuting Attorney of the county in which the seizure took place. The Prosecuting Attorney or state Attorney General generally must file a petition for forfeiture within ten days of notice of the seizure. After the petition for forfeiture is filed, every person known to have a claim or interest in the property is to be served with a copy of the petition and a notice of seizure in the manner provided by the Missouri rules of court and rules of civil proceeding. If a petition for forfeiture is not filed, the property is returned to the owner.

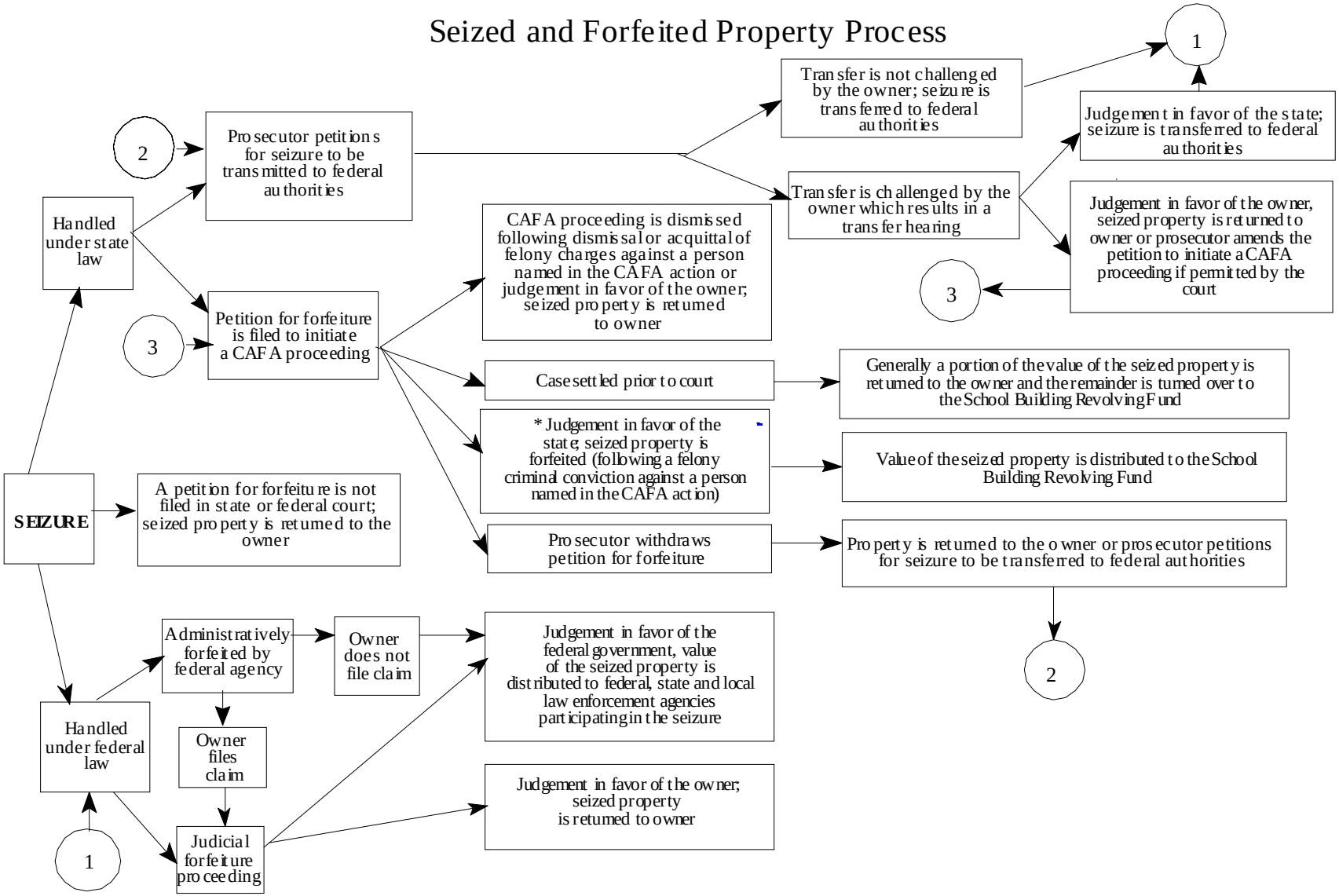
Completion of a CAFA proceeding must be delayed until disposition of any corresponding criminal charges filed against any individual claiming an interest in the property which is the subject of the proceeding. The property cannot be forfeited unless the person charged is found guilty of a felony or pleads guilty to a felony offense substantially related to the seizure. The property of a person arrested, detained or apprehended and not subsequently charged is not subject to forfeiture for that arrest, detention or apprehension. In general, to forfeit money or property under this act, the property owner or person the property is seized from must be charged with the criminal activity that brought about the seizure and that charge must result in a felony conviction.

Property seized by law enforcement officers may be transferred to federal authorities for forfeiture under federal law following the approval of the Prosecuting Attorney and the Circuit Judge of the county in which the property was seized. The transfer is not to be approved unless it reasonably appears the activity giving rise to the investigation or seizure involves more than one state or the nature of the investigation or seizure would be better pursued under federal forfeiture statutes. In addition, no transfer is to be made to a federal agency unless the violation would be a felony under Missouri law or federal law. The property owner must challenge the federal transfer within ninety-six hours of the transfer order being filed. A successful challenge may result in a hearing to evaluate the merits of the transfer.

An In Rem CAFA proceeding may also be initiated by petition by a county Prosecuting Attorney or the state Attorney General in cases where property is abandoned or unclaimed. Such proceedings may apply to cases for which the owner of the property is unknown or the individual from whom the property is seized disavows any ownership interest in it.

The federal forfeiture and state CAFA processes are illustrated in the flowchart on the following page.

Seized and Forfeited Property Process



* the felony conviction requirement does not apply to an In Rem CAFA proceeding involving abandoned or unclaimed property

Federal Equitable Sharing Program

The U. S. Department of Justice (DOJ) and Department of the Treasury (DOT) established the Equitable Sharing Program in 1984. The primary purpose of the Equitable Sharing Program, according to the DOJ's *A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies*, is "to deter crime by depriving criminals of the profits and proceeds of their illegal activities and to weaken criminal enterprises by removing the instrumentalities of crime." Under the program, federally forfeited assets are shared with state or local law enforcement agencies that assisted on cases, based on their participation with federal agencies on these investigations. Many Missouri law enforcement agencies have participated in the program since the late 1980's. To share in a seizure, a state or local law enforcement agency must have a Federal Equitable Sharing Agreement with the DOJ and/or the DOT and must submit a DAG-71 form, Application for Transfer of Federally Forfeited Property (DOJ law enforcement agency) or a TD F 92-22.46 form, Request for Transfer of Property Seized/Forfeited by a Treasury Agency (DOT law enforcement agency), to the federal agency that handled the seizure. Following a favorable resolution of the federal forfeiture case, the federal agency, U.S. Attorney's Office or the Office of the Deputy Attorney General, depending on the type of forfeiture case and the value of property forfeited, will make a decision on a local law enforcement agency's sharing request and determine the amount of proceeds to be shared. The amount shared will vary from case to case and will be transmitted to the state and local law enforcement agencies.

Upon receipt of Equitable Sharing proceeds, a local law enforcement agency is required to implement standard accounting practices and internal control procedures to track and account for these monies. The DOJ has issued *A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies* and the DOT has issued *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies* to provide guidance to law enforcement agencies regarding compliance requirements for these proceeds which includes limitations on how the monies can be spent. The local law enforcement agency is required to file an annual Certification Report with the DOJ and/or the DOT detailing the Equitable Sharing proceeds received and expended during the agency's fiscal year. The report also details the types of expenditures the funding was used for and the remaining balance of funds on hand at the end of the fiscal year.

State Funding to Public Schools

Under Section 166.300 RSMo 1998, effective August 28, 1998, all civil forfeitures are to be transmitted to the state for deposit into the School Building Revolving Fund. This statute which created the School Building Revolving Fund in 1993 originally limited this fund's source of funding to gifts, bequests and appropriations. The fund was inactive until forfeiture monies began to be deposited into it in the fall of 1998. The fund was established for the purpose of allowing school districts to submit applications for lease purchases from the revolving fund for specific projects consistent with the rules and regulations established by the State Board of Education and the requirements outlined by the statute. At June 30, 1999, the fund balance for the School Building Revolving Fund was $170,231. No expenditures have occurred from the fund since its inception.

Prior to this statutory change, civil forfeitures were remitted to County Treasurers and distributed annually to local schools. State funding provided to local schools is determined on a monthly basis based on the school foundation formula computation outlined in Section 163.031 RSMo 1998. Under the computation, forfeiture funds received by a school district in one fiscal year were deducted from potential subsequent year state funding. In most circumstances, a school district received no direct additional financial benefit for forfeited proceeds received due to this adjustment in future state funding. Indirectly all school districts might have received some minor benefit from forfeiture amounts being deducted from an individual school district's state funding and subsequently being available for distribution to all school districts under the funding formula.

Section 163.032 RSMo 1994 requires that a school district's per pupil state funding cannot be less than the funding received under the state's prior funding formula computation which was last used for the 1992/1993 school year. For the last three fiscal years only approximately 10 percent of the school districts in the state benefited from this provision. Since forfeited funds were considered local funding these school districts benefited directly from any forfeited funds received during fiscal years 1998 and 1997 and would have directly benefited in fiscal year 1999 if this statutory change had not occurred.

During the three years ended June 30, 1999 state appropriations for aid to school districts under the foundation formula totaled $4.5 billion with an additional approximately $1.4 billion provided for student transportation and other specialized programs. The average annual number of students for this period was approximately 840,000. As a result, the estimated average state funding per student per year under the foundation formula appropriations was approximately $2,340. For the three years ended December 31, 1998, we determined that approximately $47 million ($7 million by state law enforcement agencies and $40 million by federal law enforcement agencies) in seizures took place which Missouri law enforcement agencies participated in. Even if all of these seizures would have been successfully forfeited under the CAFA only an additional $19 per year in funding would have been available per student if all of these funds had been distributed to schools.

Under current law, no school district receives a direct benefit from forfeited seizures; however, any school district can apply for project funding through the School Building Revolving Fund.

III - LAW ENFORCEMENT AGENCY SURVEYS

Survey Description

The purpose of our survey was to obtain information regarding seized and forfeited property activity for Missouri's law enforcement agencies for the three years ended December 31, 1998. The survey asked for information regarding CAFA seizure activity, compliance with CAFA statutory requirements and participation in the federal Equitable Sharing program. Surveys were sent to the following jurisdictions:

- All 114 county Prosecuting Attorneys, the St. Louis City Circuit Attorney and the state Attorney General
- All 113 Sheriffs and the St. Louis County Police Department
- Sixty of the largest city police departments statewide
- The State Highway Patrol
- Eighteen task forces (Task forces generally comprise several jurisdictions which may include federal, state and local law enforcement agencies.)

Schedules A-1 through A-4 summarize which law enforcement agencies were sent survey forms and those agencies that participated by returning completed or partially completed forms as well as those which did not. Officials for some of the jurisdictions that failed to return the survey told us their legal counsel advised them not to return it while others chose not to participate even though we contacted them at least twice requesting the information. The response rate by jurisdiction was as follows:

Jurisdiction	Returned	Failed to Return	Total
Prosecuting Attorneys	94	22	116
Sheriffs and St. Louis County Police Department	98	16	114
City Police Departments	56	4	60
State Highway Patrol (1)	1	0	1
Task Forces	13	5	18
Total	262	47	309
Percentage of Total	85%	15%	

(1) Part of the survey was not completed

We used this survey information as a starting point for our analysis of seizures and forfeitures occurring within the state and/or participated in by Missouri law enforcement agencies. Subsequent sections of this report will summarize the information obtained as well as the additional work we have performed to evaluate it.

SCHEDULE A-1

REVIEW OF FORFEITED PROPERTY
SURVEY SUMMARY - PROSECUTING ATTORNEYS

County	Returned	Failed to Return
Adair	X	
Andrew		X
Atchison	X	
Audrain		X
Barry		X
Barton	X	
Bates		X
Benton		X
Bollinger	X	
Boone	X	
Buchanan	X	
Butler	X	
Caldwell	X	
Callaway	X	
Camden		X
Cape Girardeau	X	
Carroll	X	
Carter		X
Cass	X	
Cedar	X	
Chariton	X	
Christian	X	
Clark		X
Clay		X
Clinton	X	
Cole	X	
Cooper	X	
Crawford		X
Dade	X	
Dallas		X
Daviess	X	
Dekalb	X	
Dent	X	
Douglas	X	
Dunklin		X
Franklin	X	
Gasconade	X	
Gentry	X	
Greene	X	
Grundy	X	
Harrison	X	
Henry	X	
Hickory	X	
Holt	X	
Howard	X	
Howell	X	
Iron	X	
Jackson	X	
Jasper		X
Jefferson		X
Johnson	X	
Knox	X	
Laclede	X	
Lafayette	X	
Lawrence	X	
Lewis	X	
Lincoln	X	
Linn	X	
Livingston	X	
Macon	X	
Madison	X	
Maries	X	
Marion		X
McDonald	X	
Mercer	X	
Miller	X	
Mississippi	X	
Moniteau	X	
Monroe	X	
Montgomery	X	
Morgan		X
New Madrid	X	
Newton	X	
Nodaway	X	
Oregon	X	
Osage	X	
Ozark	X	
Pemiscot	X	
Perry	X	
Pettis	X	
Phelps	X	
Pike		X
Platte	X	
Polk	X	
Pulaski	X	
Putnam	X	
Ralls	X	
Randolph	X	
Ray	X	
Reynolds	X	
Ripley	X	
St. Charles	X	
St. Clair	X	
St. Francois	X	
St. Louis	X	
Ste. Genevieve	X	
Saline		X
Schuyler	X	
Scotland	X	
Scott		X
Shannon	X	
Shelby	X	
Stoddard		X
Stone	X	
Sullivan	X	
Taney	X	
Texas	X	
Vernon	X	
Warren	X	
Washington	X	
Wayne		X
Webster	X	
Worth	X	
Wright		X
City of St. Louis	X	
Attorney General	X	

SCHEDULE A-2

REVIEW OF FORFEITED PROPERTY
SURVEY SUMMARY - SHERIFFS AND ST. LOUIS COUNTY POLICE DEPARTMENT

County	Returned	Failed to Return
Adair	X	
Andrew	X	
Atchison	X	
Audrain		X
Barry	X	
Barton	X	
Bates		X
Benton		X
Bollinger		X
Boone		X
Buchanan	X	
Butler	X	
Caldwell	X	
Callaway	X	
Camden	X	
Cape Girardeau		X
Carroll	X	
Carter	X	
Cass	X	
Cedar	X	
Chariton	X	
Christian	X	
Clark	X	
Clay	X	
Clinton	X	
Cole	X	
Cooper	X	
Crawford	X	
Dade	X	
Dallas	X	
Daviess	X	
Dekalb	X	
Dent	X	
Douglas	X	
Dunklin	X	
Franklin	X	
Gasconade	X	
Gentry	X	
Greene	X	
Grundy	X	
Harrison	X	
Henry	X	
Hickory	X	
Holt	X	
Howard	X	
Howell	X	
Iron		X
Jackson	X	
Jasper		X
Jefferson		X
Johnson	X	
Knox	X	
Laclede	X	
Lafayette	X	
Lawrence		X
Lewis	X	
Lincoln	X	

County	Returned	Failed to Return
Linn	X	
Livingston	X	
Macon	X	
Madison	X	
Maries	X	
Marion	X	
McDonald	X	
Mercer	X	
Miller	X	
Mississippi		X
Moniteau	X	
Monroe	X	
Montgomery	X	
Morgan	X	
New Madrid	X	
Newton	X	
Nodaway	X	
Oregon		X
Osage	X	
Ozark	X	
Pemiscot	X	
Perry	X	
Pettis	X	
Phelps	X	
Pike	X	
Platte	X	
Polk	X	
Pulaski		X
Putnam		X
Ralls	X	
Randolph	X	
Ray	X	
Reynolds	X	
Ripley	X	
St. Charles	X	
St. Clair	X	
St. Francois		X
St. Louis County Police Department	X	
Ste. Genevieve	X	
Saline	X	
Schuyler	X	
Scotland	X	
Scott	X	
Shannon	X	
Shelby	X	
Stoddard	X	
Stone	X	
Sullivan	X	
Taney	X	
Texas	X	
Vernon	X	
Warren	X	
Washington	X	
Wayne	X	
Webster	X	
Worth	X	
Wright		X

SCHEDULE A-3

REVIEW OF FORFEITED PROPERTY
SURVEY SUMMARY - CITY POLICE DEPARTMENTS

City	Returned	Failed to Return
Arnold	X	
Ballwin	X	
Bellefontaine	X	
Belton	X	
Blue Springs	X	
Berkeley		X
Bridgton	X	
Cape Girardeau		X
Carthage	X	
Chesterfield	X	
Clayton	X	
Columbia	X	
Crestwood	X	
Creve Coeur	X	
Excelsior Springs	X	
Farmington	X	
Ferguson	X	
Florissant	X	
Fulton	X	
Gladstone	X	
Grandview	X	
Hannibal	X	
Independence	X	
Jackson	X	
Jefferson City	X	
Jennings	X	
Joplin	X	
Kansas City	X	
Kennett	X	
Kirksville	X	

City	Returned	Failed to Return
Kirkwood		X
Lebanon	X	
Lee's Summitt	X	
Licking	X	
Marshall	X	
Maryland Heights (1)	X	
Maryville	X	
Mexico	X	
Moberly	X	
Neosho	X	
O' Fallon	X	
Overland	X	
Poplar Bluff	X	
Raytown	X	
Richmond Heights	X	
Rolla	X	
Sedalia	X	
Sikeston		X
Springfield	X	
St. Ann	X	
St. Charles	X	
St. Joseph	X	
St. Louis	X	
St. Peters	X	
Town and Country	X	
University City	X	
Warrenton	X	
Washington	X	
Webster Groves	X	
West Plains	X	

(1) Part of the survey was not completed

SCHEDULE A-4

REVIEW OF FORFEITED PROPERTY
SURVEY SUMMARY - TASK FORCES

Task Force	Returned	Failed to Return
Bootheel Drug Task Force	X	
Buchanan County Drug Strike Force	X	
Combined Ozarks Multi-jurisdictional Enforcement Team (COMET)	X	
Jackson County Drug Abatement Response Team (DART)	X	
Jackson County Drug Task Force	X	
Jasper County Drug Task Force		X
Lake Area Narcotics Enforcement Group (LANEG)	X	
Mid - Missouri Unified Strike Team and Narcotics Group (MUSTANG)	X	
Mineral Areas Drug Task Force		X
Municipal Enforcement Group Against Drug Abuse (North County MEG)	X	
Northeast Missouri (NEMO) Drug Task Force		X
North Central Missouri Drug Task Force	X	
North Missouri Drug Task Force	X	
Southeast Missouri (SEMO) Drug Task Force		X
South Central Missouri Drug Task Force		X
Southwest Missouri Drug Task Force	X	
St. Charles County Regional Drug Task Force	X	
West Central Missouri Drug Task Force	X	

IV - EQUITABLE SHARING DISTRIBUTIONS TO STATE AND LOCAL LAW ENFORCEMENT AGENCIES

Equitable Sharing Distribution Analysis

Equitable Sharing distributions to Missouri law enforcement agencies for the three years ended December 31, 1998 are summarized on Schedule B. Some task forces redistribute Equitable Sharing proceeds received to the law enforcement agencies participating on it. To prevent these monies from being double counted in the schedule, the proceeds were only reported under the task force that originally received the monies.

To prepare the schedule, we compared the amount of Equitable Sharing proceeds received as reported by law enforcement agencies on the survey forms to Equitable Sharing distribution information obtained from the Department of Justice - U.S. Marshals Service and the Department of the Treasury - Executive Office for Asset Forfeiture. For law enforcement agencies that completed the survey, any significant difference between Equitable Sharing proceeds reported to us and the amounts shown as distributed to them by the federal agencies were discussed and materially resolved with the law enforcement agency. For law enforcement agencies that did not return the survey or for any that we did not send a survey, we used the amounts provided to us by the federal agencies for the schedule.

As shown on Schedule B and the pie charts which follow the schedule, the majority of the Equitable Sharing distributions in the state are made to a small number of jurisdictions. The pie charts show the five law enforcement agencies that received the most Equitable Sharing proceeds during each of the three years ended December 31, 1998 and for the three year period ended December 31, 1998. During the three years ended December 31, 1998, approximately 71 percent of Equitable Sharing proceeds distributed within the state went to only five law enforcement agencies.

As part of our audit procedures we did not compare the Equitable Sharing proceeds received to the annual operating budgets of the law enforcement agencies; however, for most jurisdictions the proceeds apparently represented only a small percentage of the operating budget for the law enforcement agency. For example, the approximately $3.5 million in Equitable Sharing proceeds received by the State Highway Patrol during the three years ended December 31, 1998 represented less than 1 percent of the patrol's approximately $404 million in appropriated funding during the three years ended June 30, 1999.

SCHEDULE B

REVIEW OF FORFEITED PROPERTY
EQUITABLE SHARING DISTRIBUTIONS TO STATE AND LOCAL LAW ENFORCEMENT AGENCIES

Recipient Agency	Year Ended December 31, 1998	1997	1996	Total
First or Second Class County :				
Sheriff				
Boone	$ 21,697	7,220	72,391	101,308
Callaway	7,386	0	0	7,386
Clay	0	94,725	0	94,725
Cole	0	3,750	1,554	5,304
Franklin	1,603	0	54,744	56,347
Greene	44,843	52,574	15,535	112,952
Jackson	3,704	2,745	7,163	13,612
Jasper	0	8,867	0	8,867
Jefferson	0	51,995	65,419	117,414
Lafayette	3,144	3,683	0	6,827
Pettis	1,585	0	84,061	85,646
Platte	122,641	119,389	177,129	419,159
St. Charles	108,108	29,838	112,434	250,380
St. Louis County Police Department	1,925,959	1,302,292	1,443,526	4,671,777
Prosecuting Attorney				
Cole	0	0	1,554	1,554
Jackson	20,530	5,272	30,853	56,655
Lafayette	0	2,262	4,468	6,730
Third Class County :				
Sheriff				
Benton	215	19,261	0	19,476
Butler	986	0	0	986
Christian	53,000	13,766	625	67,391
Grundy	0	1,255	0	1,255
Henry	0	7,960	0	7,960
Hickory	5,071	16,627	0	21,698
Howell	0	8,770	0	8,770
Laclede	0	0	2,730	2,730
Lawrence	9,952	0	0	9,952
Madison	3,371	0	0	3,371
McDonald	7,844	3,543	16,868	28,255
Mississippi	0	4,334	44,391	48,725
Montgomery	0	382	0	382
Morgan	0	4,389	0	4,389
Newton	9,546	1,716	0	11,262
Oregon	0	11,674	0	11,674
Perry	0	5,933	0	5,933
Phelps	13,916	28,143	650	42,709
Pike	0	842	0	842
Pulaski	0	0	819	819
Reynolds	9,855	0	0	9,855
Scott	0	0	4,541	4,541
St. Clair	0	0	1,941	1,941
Ste. Genevieve	0	2,235	0	2,235
Stoddard	0	5,828	0	5,828
Stone	3,756	0	0	3,756
Texas	5,201	0	0	5,201
Wayne	0	3,532	0	3,532
Webster	0	1,509	0	1,509

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Third Class County (continued) :

Prosecuting Attorney				
Adair	0	0	392	392
Clinton	0	909	0	909
Cooper	0	0	38,501	38,501
Henry	0	801	0	801
Laclede	0	0	390	390
Lawrence	0	6,059	0	6,059
Pemiscot	0	0	559	559
Phelps	444	0	0	444
Stoddard	0	1,943	0	1,943
Texas	5,366	0	0	5,366
Warren	36	2,733	0	2,769
Webster	5,035	0	13,700	18,735

City :

Police Department				
Arnold	9,778	47,635	2,379	59,792
Ballwin	0	2,683	0	2,683
Belton	0	25,585	0	25,585
Berkeley	6,957	0	0	6,957
Beverly Hills	0	9,580	7,986	17,566
Blue Springs	2,228	0	0	2,228
Booneville	0	0	31,634	31,634
Bridgeton	6,292	0	3,928	10,220
Cameron	0	2,728	0	2,728
Cape Girardeau	5,130	0	2,673	7,803
Caruthersville	2,409	0	0	2,409
Cassville	0	0	9,210	9,210
Chesterfield	0	2,683	0	2,683
Clinton	0	3,301	7,570	10,871
Columbia	5,964	0	20,454	26,418
Doniphan	0	706	0	706
Ellisville	0	2,683	0	2,683
Eureka	0	15,031	9,081	24,112
Festus	0	0	32,895	32,895
Florissant	0	0	28,691	28,691
Fulton	7,434	0	18,849	26,283
Grain Valley	8,228	14,939	0	23,167
Grandview	5,038	0	11,592	16,630
Hannibal	0	0	1,594	1,594
Hazelwood	5,293	0	0	5,293
Herculaneum	0	0	10,331	10,331
Higginsville	0	2,197	0	2,197
Independence	29,773	18,651	17,431	65,855
Jackson	17,810	0	0	17,810
Jefferson City	2,412	0	20,403	22,815
Joplin	17,270	0	0	17,270
Kansas City	431,426	381,749	350,961	1,164,136
Kirkwood	0	12,604	0	12,604
Lake Lotawana	0	2,059	0	2,059
Lake St. Louis	0	2,671	0	2,671
Lebanon	1,901	0	0	1,901

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City (continued) :

Police Department				
Lee's Summit	2,310	2,059	6,269	10,638
Lone Jack	0	0	1,777	1,777
Manchester	0	2,683	0	2,683
Maplewood	0	4,844	0	4,844
Maryland Heights	41,028	74,570	98,858	214,456
Moberly	39,648	0	0	39,648
Monett	0	0	4,770	4,770
Montrose	0	2,404	0	2,404
Northmoor	0	0	5,102	5,102
North Woods	7,797	0	0	7,797
Odessa	0	2,197	0	2,197
Osage Beach	7,437	0	0	7,437
Ozark	1,013	0	0	1,013
Park Hill	0	0	4,685	4,685
Pevely	2,963	0	0	2,963
Piedmont	0	15,520	0	15,520
Raytown	14,764	5,230	861	20,855
Richmond Heights	0	4,844	0	4,844
Sedalia	0	1,584	0	1,584
Shrewsbury	0	0	965	965
Sikeston	0	0	5,463	5,463
Springfield	199,071	40,125	109,778	348,974
St. Charles	17,411	992	2,805	21,208
St. John	10,640	0	0	10,640
St. Louis	1,276,052	1,269,077	901,079	3,446,208
St. Peters	0	29,670	112,434	142,104
Trenton	0	1,256	0	1,256
University City	7,503	0	6,720	14,223

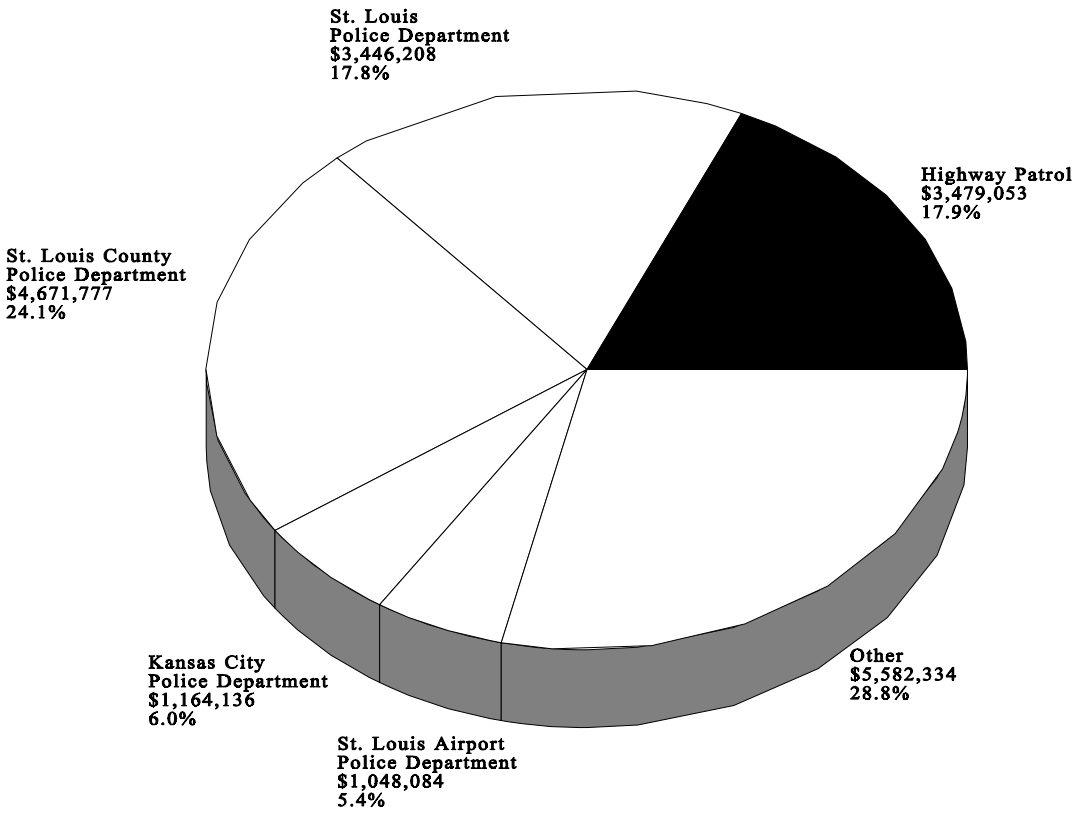
Other :

Task Force				
Bootheel Drug Task Force	6,424	20,816	0	27,240
Combined Ozarks Multi-jurisdictional Enforcement Team (COMET)	133,785	479,596	70,925	684,306
Jackson County Drug Task Force	63,286	22,342	63,732	149,360
Lake Area Narcotics Enforcement Group (LANEG)	78,008	5,660	6,998	90,666
Mineral Area Drug Task Force	123,255	166,036	9,435	298,726
Missouri National Guard Counterdrug Task Force	4,366	41,909	0	46,275
Municipal Enforcement Group Against Drug Abuse (North County MEG)	27,912	51,538	3,928	83,378
North Central Missouri Drug Task Force	0	460	0	460
Northeast Missouri (NEMO) Drug Task Force	31,787	0	0	31,787
Southeast Missouri (SEMO) Drug Task Force	324,528	17,699	57,503	399,730
Southwest Missouri Drug Task Force	3,770	0	0	3,770
St. Charles County Regional Drug Task Force	44,320	30,011	75,538	149,869
West Central Missouri Drug Task Force	8,976	11,716	0	20,692
Major Case Squad of the Greater St. Louis Metropolitian Area	0	0	172,439	172,439

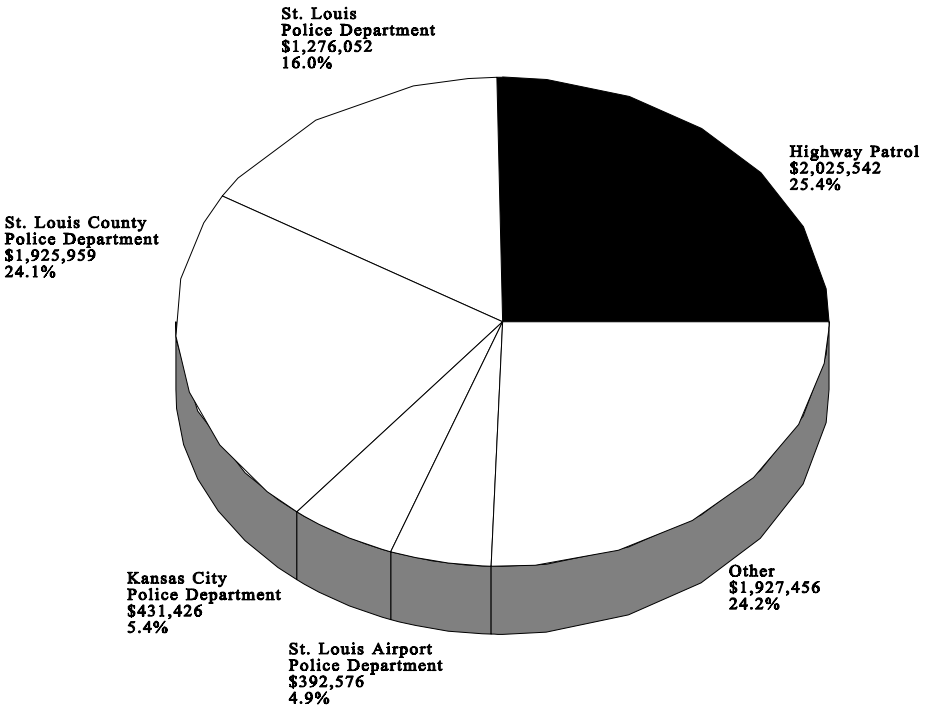
Other				
Circuit Attorney's Office - St. Louis	30,531	36,871	31,256	98,658
State Highway Patrol	2,025,542	739,995	713,516	3,479,053
State Water Patrol	51,977	2,631	0	54,608
St. Louis Airport Police Department	392,576	333,571	321,937	1,048,084
Kansas City Airport Police Department	40,194	35,061	0	75,255
	$ 7,979,011	5,839,208	5,573,373	19,391,592

Special Review - Forfeited Property
Equitable Sharing Distributions to Law Enforcement Agencies

1996-1998

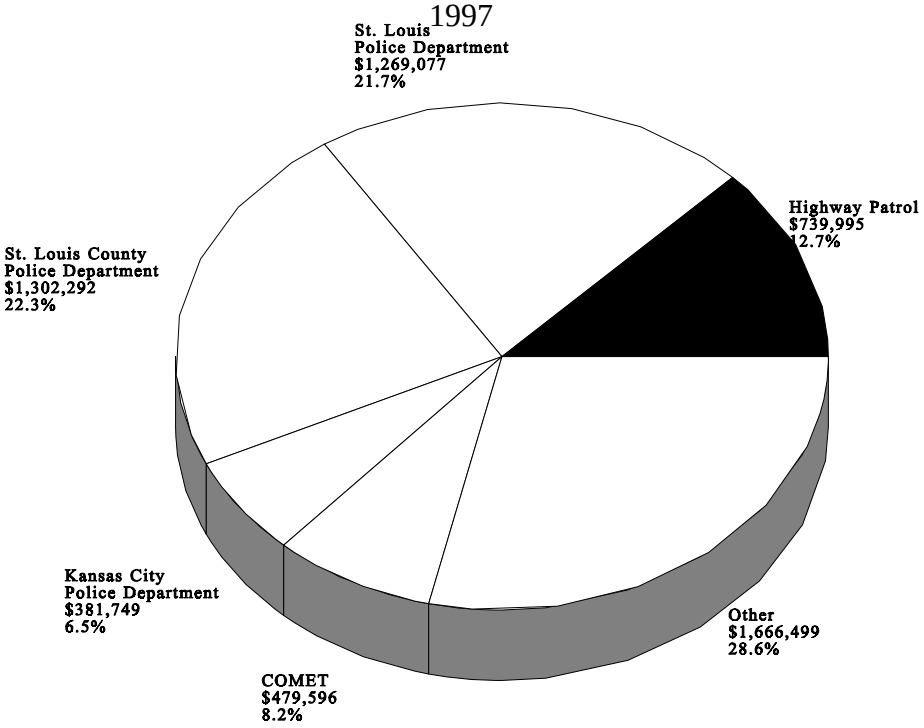


1998

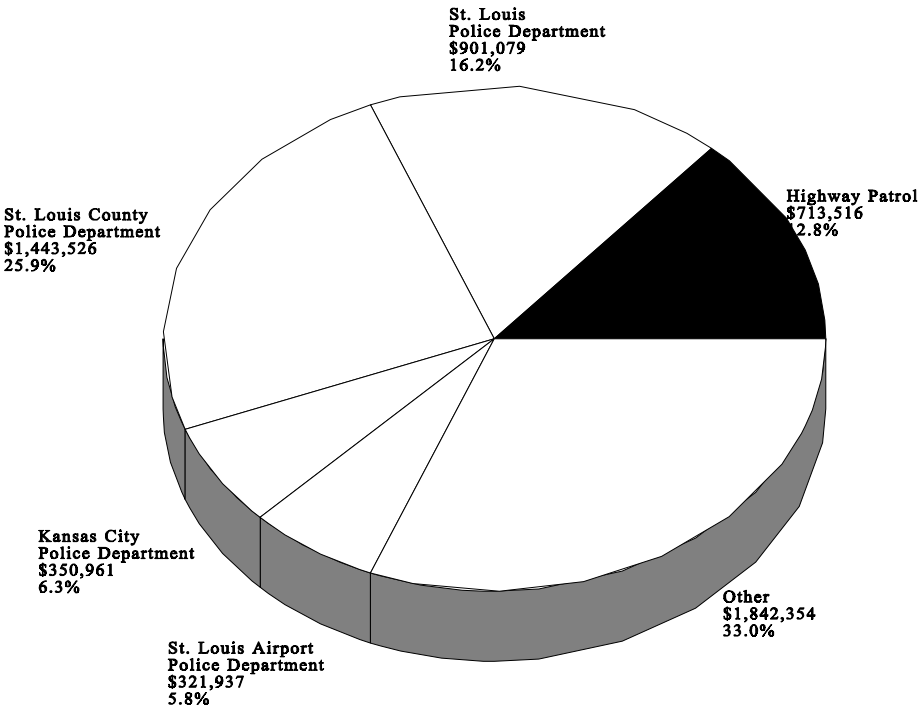


Special Review - Forfeited Property
Equitable Sharing Distributions to Law Enforcement Agencies

1997



1996



Federal Forfeiture Audit Report Submission Compliance

Section 513.653, RSMo 1994 requires all law enforcement agencies using the federal forfeiture system to obtain an independent audit of the Equitable Sharing proceeds received and provide the audit to the State Auditor's Office (SAO). The SAO is responsible for auditing all third-class counties in the state and satisfies this statutory requirement as part of the audits of those counties. In addition, Equitable Sharing proceeds received by the State Highway Patrol, State Water Patrol and the National Guard Counterdrug Task Force would be audited by the SAO as part of the annual Statewide Single Audit of all federal funding received by the state. First and second-class county Sheriff departments and Prosecuting Attorney offices, city police departments and multi-jurisdictional task forces must comply with this statutory provision through the independent audits of the county, city or organization. The statute does not specify the type of audit to be obtained or the scope of the audit work. For those entities that submitted an audit report to the SAO, we reviewed the report to determine if federal forfeiture proceeds received were clearly identified in the audit report. Schedule C lists the compliance results for law enforcement agencies for fiscal years ended in 1996 and 1997. A summary of the results follows:

First and Second Class Counties

Thirteen first or second class counties received Equitable Sharing proceeds during 1996 and/or 1997. Each county was audited annually. Audit reports for eight counties clearly indicated the Equitable Sharing proceeds were audited. These eight reports represented 85 percent of the Equitable Sharing proceeds distributed to these thirteen counties. Audit reports for four counties (Cole, Jefferson, Pettis and Platte) supported that the Equitable Sharing monies were audited; however, the audit reports or other documentation supporting that these monies were audited was not submitted to the SAO until requested as part of our audit work. The Franklin County audit reports were submitted to the SAO, but did not clearly indicate that the Equitable Sharing proceeds were audited.

Cities

Seventy-eight cities received Equitable Sharing proceeds during 1996 and/or 1997. Fifty-eight of these cities submitted audit reports to the SAO; however, only nineteen of the reports clearly indicated that the Equitable Sharing proceeds were audited. The St. Louis, Kansas City and Springfield police departments had separate forfeiture audits performed and submitted those audits to the SAO. These nineteen reports represented 86 percent of the Equitable Sharing proceeds distributed to these seventy-eight cities. Twenty cities did not submit audit reports to the SAO.

Task Forces

Eleven task forces received Equitable Sharing proceeds during 1996 and/or 1997. The Municipal Enforcement Group Against Drug Abuse and the Jackson County Drug Task Force had separate forfeiture audits performed and submitted the reports to the SAO. The Equitable Sharing proceeds received by the Bootheel Drug Task Force were audited as part of the SAO audit of Pemiscot County. These three reports represented only 13 percent of the Equitable Sharing distributions to these eleven task forces. The City of Richmond which manages the North Central Missouri Drug

Task Force submitted an audit to the SAO, but it was not clear if the Equitable Sharing proceeds were audited. Seven task forces did not submit audit reports to the SAO.

Other

Three other law enforcement agencies received Equitable Sharing proceeds during 1996 and/or 1997. The audit reports for the cities of St. Louis and Kansas City were submitted to the SAO, but it was not clear if the Equitable Sharing monies received by the airport police departments and the St. Louis Circuit Attorney were audited.

It appears that the low level of compliance with this statutory requirement is related to the small amount of Equitable Sharing proceeds received by many of the jurisdictions. Fifty-one of the 105 law enforcement agencies included on Schedule C received less than $10,000 in Equitable Sharing proceeds during the two year period.

Another reason for the low compliance with this statutory requirement appears to be due to the current statute having no penalty provision for those law enforcement agencies that do not submit an audit report.

As the result of our review of compliance with Section 513.653, RSMo 1994 we have determined that:

- The SAO received audit reports from most city or county governments with law enforcement agencies that received Equitable Sharing proceeds; however, it was not always clear if the Equitable Sharing proceeds were audited. Most task forces did not submit audit reports. City or county governments with law enforcement agencies that received the majority of the Equitable Sharing proceeds distributed within the state submitted audit reports which clearly showed these monies were audited.

However, it is evident that:

- The statute does not consider that many agencies receive very little Equitable Sharing proceeds annually.

- The statute fails to include some type of penalty provision in the event a county, city or task force fails to submit the required audit report.

SCHEDULE C

REVIEW OF FORFEITED PROPERTY
FEDERAL FORFEITURE AUDIT REPORT SUBMISSION COMPLIANCE

Recipient Entity	g Proceeds Received	imitted To the SAO i	Comment
First or Second Class County			
Boone	$ 79,611	Yes	
Clay	94,725	Yes	
Cole	6,858	No	(2)
Franklin	54,744	No	(1)
Greene @	88,109	Yes	
Jackson	46,033	Yes	
Jasper	8,867	Yes	
Jefferson	117,414	No	(2)
Lafayette	10,413	Yes	
Pettis	84,061	No	(2)
Platte	296,518	No	(2)
St. Charles	142,272	Yes	
St. Louis County Police Department	2,745,818	Yes	
City			
Arnold	50,014	No	(2)
Ash Grove @	5,000	No	(1)
Ballwin *	22,481	Yes	
Belton	25,585	Yes	
Beverly Hills	17,566	No	(2)
Billings @	5,000	No	(2)
Bridgeton	3,928	Yes	
Bolivar @	5,000	No	(1)
Booneville	31,634	No	(1)
Branson @	5,000	No	(1)
Branson West @	5,000	No	(2)
Cameron	2,728	No	(1)
Cape Girardeau	2,673	No	(1)
Cassville	9,210	No	(1)
Chesterfield *	24,019	Yes	
Clayton *	19,068	No	(1)
Clever @	5,000	No	(2)
Clinton	10,871	No	(1)
Columbia	20,454	No	(1)
Crane @	5,000	No	(2)
Dellwood *	21,336	No	(2)
Doniphan	706	No	(1)
Ellisville	2,683	No	(1)
Eureka	24,112	No	(1)
Fair Grove @	5,000	No	(1)
Ferguson *	21,336	No	(1)
Festus	32,895	Yes	
Florissant	28,691	No	(1)
Fordland @	5,000	No	(2)
Forsyth @	5,000	Yes	
Fulton	18,849	Yes	
Grain Valley	14,939	No	(1)
Grandview	11,592	Yes	
Hannibal	1,594	No	(1)

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City (continued)			
Herculaneum	10,331	Yes	
Higginsville	2,197	No	(1)
Hollister @	5,000	No	(2)
Independence	36,082	No	(1)
Jefferson City	20,403	No	(1)
Jennings *	38,374	No	(1)
Kansas City	732,710	Yes	
Kimberling City @	5,000	No	(1)
Kirkwood *	33,940	Yes	
Lake Lotawana	2,059	No	(2)
Lake St. Louis	2,671	No	(1)
Lee's Summit	8,328	No	(1)
Lone Jack	1,777	No	(2)
Manchester *	24,019	No	(1)
Maplewood	4,844	No	(1)
Marshfield @	5,000	No	(1)
Maryland Heights	173,428	Yes	
Monett	4,770	Yes	
Montrose	2,404	No	(2)
Nixa @	5,000	No	(1)
Northmoor	5,102	No	(2)
Odessa	2,197	No	(1)
Ozark @	20,000	No	(2)
Park Hills	4,685	Yes	
Piedmont	15,520	No	(2)
Raytown	6,091	No	(1)
Reeds Spring @	5,000	No	(2)
Republic @	5,000	No	(1)
Richmond Heights *	18,949	No	(1)
Rogersville @	5,000	No	(2)
Sedalia	1,584	No	(1)
Seymour @	5,000	No	(2)
Shrewsbury	965	No	(1)
Sikeston	5,463	Yes	
Sparta @	5,000	No	(1)
Springfield @	169,903	Yes	
Strafford @	5,000	No	(2)
St. Charles	3,797	No	(1)
St. Louis	2,170,156	Yes	
St. Peters	142,104	Yes	
Trenton	1,256	No	(1)
University City	6,720	No	(2)
Walnut Grove @	5,000	Yes	
Willard @	5,000	No	(1)

Task Force			
Bootheel Drug Task Force #	20,816	Yes	
Combined Ozark Multi-jurisdictional Enforcement Team (COMET)	550,521	No	(2)
Jackson County Drug Task Force	86,074	Yes	

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Task Force (continued)			
Lake Area Narcotics Enforcement Group (LANEG) #	12,658	No	(2)
Mineral Area Drug Task Force	175,471	No	(2)
Municipal Enforcement Group Against Drug Abuse (North County MEG)	55,466	Yes	
North Central Missouri Drug Task Force #	460	No	(1)
Southeast Missouri (SEMO) Drug Task Force	75,202	No	(2)
St Charles County Regional Drug Task Force	105,549	No	(2)
West Central Missouri Drug Task Force	11,715	No	(2)
Major Case Squad of the Greater St. Louis Metropolitian Area	172,439	No	(2)

Other			
Circuit Attorney's Office - St. Louis	68,127	No	(1)
St. Louis Airport Police Department	655,508	No	(1)
Kansas City Airport Police Department	35,061	No	(1)

(1) An audit report was submitted, but it did not clearly indicate that forfeiture monies were audited.

(2) An audit report was not submitted to the SAO.

* Includes Equitable Sharing proceeds passed through a St. Louis County Police Department Task Force

@ Includes Equitable Sharing proceeds passed through COMET

\# Bootheel Drug Task Force - Part of the Pemiscot County audit

LANEG - Part of the Camden County audit - Forfeiture monies were audited, but audit was not submitted to the SAO

North Central Missouri Drug Task Force - Part of the City of Richmond audit

V - CAFA SEIZURE ACTIVITY

Summary of CAFA Seizure Activity

As part of our survey process as discussed in Section III and review of seizure reports filed by prosecutors with the Department of Public Safety (these reports are discussed later in this section) we obtained information regarding statewide seizure activity handled under the CAFA. The CAFA seizure activity for the three years ended December 31, 1998 was determined to be $7,004,547. The disposition of these seizures was determined to be:

Disposition of CAFA seizures		1998	1997	1996	Total	Percentage of Total
Distributed to Schools	$	446,467	492,897	520,682	1,460,046	20.8%
Transferred to Federal Authorities		786,343	600,081	453,668	1,840,092	26.3%
Pending or Returned to Defendant		1,963,438	757,763	983,208	3,704,409	52.9%
Total CAFA Seizures	$	3,196,248	1,850,741	1,957,558	7,004,547	

As of the end of 1998, more than half of the total value of property seized during this three-year period was either still pending a final judgement or the property had been returned to the defendant. Some of the reason for the large percentage of open or failed CAFA proceedings may include:

1. CAFA proceedings on hold pending the results of criminal trials.

2. Prosecuting Attorneys settling CAFA cases prior to the completion of criminal trials with the defendant agreeing to forfeit a portion of the property (approximately 50 percent) in exchange for not challenging the seizure case.

3. CAFA proceeding being dismissed and the seized property being returned to the owner.

During this period, approximately a quarter of the total value of property seized was transferred to federal authorities. In order to analyze these transfers further we reviewed a portion of these transferred seizures.

Review of Seizures Transferred to Federal Authorities

We reviewed supporting documentation for 55 of 186 (30 percent) seizures that were transferred to federal authorities. We reviewed every seizure transfer identified from the prosecutor survey responses provided to us or noted on the seizure reports prosecutors filed with the Department of Public Safety except for the jurisdictions of Jackson County, St. Louis County and the city of St. Louis for which we selected only a portion of the transferred cases for review. The following table summarizes the results of the review:

Transfer Analysis	Number of Seizures		Amount Transferred
Seizure Probably Could Have Proceeded Under CAFA	30	$	422,549
Seizure Could Not Proceed Under CAFA	25		529,494
Total Reviewed	55	$	952,043

For thirty of the seizures, we noted that the transfer was approved by a prosecutor and Circuit Judge while the corresponding felony criminal case remained in a state court to be prosecuted. For eight of these thirty seizures representing $199,187 of the total dollar amount reviewed, a request from the law enforcement agency was one of the reasons indicated by the prosecutor on the order requesting the seizure to be transferred to federal authorities. For all thirty of these transfers, it appears a CAFA forfeiture proceeding would have been possible or could have continued; however, they appeared to comply with state transfer restrictions. These transfers will be further discussed in the next part of this section. For the other twenty-five seizures, state felony charges could not be filed or charges were dismissed and as a result any CAFA proceeding could not have continued.

Impact of CAFA Statutes on Seizure Activity

From our work analyzing law enforcement seizures occurring in the state, we identified that during the three years ended December 31, 1998 approximately $7 million in seizures were handled under the state CAFA process and approximately $40 million were handled under federal forfeiture laws (see Section VI). As part of our analysis we reviewed the statutes which comprise the CAFA to determine if they may be having any negative impact on the number of CAFA forfeiture cases being handled in the state. Based on our review of documentation obtained as part of the survey process, discussions with law enforcement officials, and other work performed, we identified the following issues which may lead to some seizures being handled by federal agencies:

Lack of a Definition of Seizure

Section 513.605, RSMo 1994 contains various definitions to be used when interpreting the CAFA. The section is silent, however, as to the definition of "seizure." During our seizure case review the point in time in which property is considered "seized" often came into question. Law enforcement officers will sometimes contact federal officers to come to crime scenes to "seize" property for federal forfeiture. The local officers do not consider the property to have been seized even though prior to this time they have detained a suspect and located monies or property which may or may not be forfeitable under the CAFA. Various state and federal court rulings have established definitions of "seizure" which may support differing viewpoints as to what point a seizure has occurred. The lack of a definition of "seizure" in the CAFA allows for differing interpretations on what property is subject to the CAFA and when a seizure takes place.

Restrictive Seizure Reporting and Petition Forfeiture Decision Time Limits

Section 513.607.5(2), RSMo 1994 sets the time limits that both a law enforcement officer seizing property and the county Prosecuting Attorney or state Attorney General must comply with for seizures to proceed under the CAFA. The statute allows the officer seizing the property four days to report a seizure to the Prosecuting Attorney in the county the seizure took place or to the state Attorney General. The statute also allows the prosecutors ten days from the reporting date to file a petition for forfeiture. Although the statute does not specifically state that these time limits are to apply to petitions for transfer, our discussions with attorneys in some Prosecuting Attorney offices indicated some judges require that the transfer documents be filed within ten days as well. Section 513.617.4, RSMo 1994 allows the ten day time limit to file a petition for forfeiture to be extended by order of the circuit court, for up to ten days for each order with the total extension not to exceed thirty days. Even with a possible filing extension, prosecutors may have to decide whether to file a petition for forfeiture or a petition to transfer a seizure to federal authorities prior to the case being fully investigated by law enforcement or all criminal charges decisions being made.

Our review of seizure statutes for five states (Illinois, Kansas, Iowa, Minnesota and Arkansas) indicated law enforcement officers and prosecutors in these states had less restrictive deadlines for reporting seizures and filing petitions for forfeiture.

Felony Criminal Conviction

Section 513.617.1, RSMo 1994 states that in the event criminal charges arising from the same activity giving rise to the CAFA proceeding are filed against any individual claiming an interest in the property such a CAFA proceeding shall be stayed by the court until the disposition of the criminal charges. This statute further states that in such cases, no property shall be forfeited unless the person charged is found guilty or pleads guilty to a felony offense substantially related to the forfeiture.

This statute was added to the CAFA in August 1993. The Missouri Court of Appeals of the Western District interpreted this stipulation in a 1997 appeal decision [*State v. Sledd*, 949 S.W.2d 643, 646 (Mo App. 1997)] as "the General Assembly's desire to restrain what it perceived to be overzealous use of federal and state forfeiture statutes." From our case review, it appears this change has significantly limited the number of seizures for which CAFA forfeiture can occur, but had little impact on the number of potential federal forfeiture cases.

A factor which may lead to seizures in the state being handled by federal authorities is the extent to which current CAFA laws limit the state's ability to forfeit money and property that can be proven to be linked to drug activity as set forth in Section 195.140.2(2), RSMo 1994. This statute states that in the event money or property is found in proximity to drugs the burden of proof falls on the owner of the property to rebut the presumption that the property is forfeitable. However, Section 195.140.2(2), RSMo 1994 is immediately negated by Section 195.140.2(3), RSMo 1994 which subjects any forfeiture case to the CAFA. The CAFA, in effect, transfers the burden of proof back to the state by requiring a felony conviction prior to forfeiture. The following case exemplifies how requiring a felony conviction prior to forfeiture limits the state's ability to forfeit money and property that can clearly be linked to drug activity.

An individual was stopped on February 11, 1997. He had in his possession 9.7 grams of methamphetamine, 23.2 grams of marijuana, various pieces of drug paraphernalia, a concealed semi-automatic handgun, $10,500 in cash in a duffle bag (separated into $500 increments) and $172 in cash on his person. This individual told officers that he was unemployed. He was arrested and charged with felony possession of a controlled substance and misdemeanor possession of drug paraphernalia. The individual had a history of narcotics involvement. On February 14, 1997, a petition for forfeiture under CAFA was filed against the $10,672 in cash. He was properly served notice of the proceeding on March 4, 1997 and never challenged it. A warrant was issued for his arrest after he failed to appear in court on these criminal charges.

On November 7, 1997, this individual died of injuries sustained in a methamphetamine lab explosion. The pending criminal cases were dismissed as a result of his death. The civil forfeiture case remained active. On January 21, 1998 his estate filed a Motion for Summary Judgement on the civil forfeiture case citing Section 513.645.6, RSMo 1994 which states that in the event the related criminal charges are dismissed that the civil forfeiture action shall also be dismissed. The motion also stated that since a felony conviction could never be obtained, the money should be returned. The Prosecuting Attorney argued for a summary judgement for forfeiture under Section 195.140, RSMo 1994, Missouri's drug enforcement statute, due to the money being found in close proximity to drugs.

On March 23, 1998 the court heard arguments on the estate's Motion for Summary Judgement and entered an order in the estate's favor. The court concluded that since no felony conviction could ever be obtained, the money and property could not be forfeited under the CAFA. The Prosecuting Attorney appealed the decision.

On May 25, 1999, the appellant court upheld the trial court's ruling. The court agreed with the state's argument that the currency was forfeitable under Section 195.140.2(2), RSMo 1994. However, the appellant court pointed out that since Section 195.140.2(3), RSMo 1994 is tied directly to the CAFA, the money could not be forfeited due to Section 513.617.1, RSMo 1994 requiring a felony conviction be obtained prior to forfeiture.

While this case is unique in that the defendant died prior to the conclusion of his criminal case, it exemplifies how the felony requirement limits the state's ability to forfeit property that can be linked to illegal activity. From our review of forfeiture cases we noted other types of cases where the felony requirement limited the state's ability to proceed with forfeiture cases:

1. We noted many instances where an individual, with a history in narcotics trafficking, was stopped carrying only large amounts of cash. The cash tested positive for narcotics residue, but no narcotics were found to charge the individual with felony possession or distribution under state law. Unless the individual disavows ownership interest in the monies which would possibly allow the seizure to proceed as an In Rem CAFA case (This issue is further discussed in Section VI), the seizure case could only proceed in federal court.

2. We also noted instances where the defendant was shown leniency by the prosecution in exchange for information or help in identifying other narcotics traffickers. In such situations the defendant may plead guilty to several misdemeanor charges to avoid a felony conviction. In these instances because a felony conviction will not occur, the prosecutor has the option of attempting to transfer the seizure to federal authorities or returning the property to the defendant.

3. Other types of cases noted involved defendants that have fled prosecution. Even though the defendant may have been properly served notice of the civil case and has never challenged the forfeiture, the civil forfeiture case in some jurisdictions remains open and on the court's docket, sometimes indefinitely pending the defendant's apprehension on an outstanding warrant and the eventual outcome of the criminal trial. This situation results from courts interpreting differently the requirement of a CAFA proceeding being stayed until disposition of a corresponding criminal case. Some courts require the CAFA case be stayed under any circumstance while others will allow a default judgement if a defendant who flees prosecution was given timely notice of the seizure and did not file a claim for return of the property.

Transfers to Federal Authorities

Section 513.647, RSMo 1994 allows property seized by state or local law enforcement agencies to be transferred to any federal agency for forfeiture under federal law following approval of the applicable county Prosecuting Attorney and Circuit Judge. The restrictions on approving a transfer were discussed in Section I.

Our review of seizure cases transferred to federal authorities previously discussed, indicated that for thirty of fifty-five (54.5 percent) cases reviewed, the corresponding criminal case remained in state courts to be prosecuted. Some of these transfers may have been necessitated by the expiration of the reporting or petition for forfeiture filing time limits noted above; however, except for such restrictions there appears to have been no need for these transfers to have occurred even though they were made in compliance with applicable CAFA requirements.

The statute is also silent regarding procedural aspects involving the transfer of a seizure case to federal authorities when the petition for transfer is denied. In several jurisdictions prosecutors indicated that in the event their petition for transfer was denied, the judge hearing the case would order the seized property be returned to the owner, thus, not allowing the case to proceed under the CAFA. The reason provided for these decisions was that the ten day time limit to file a CAFA petition had been exceeded. In at least one jurisdiction, judges allowed a denied petition for transfer to be amended to a CAFA petition, thus allowing the prosecutor to continue under the CAFA.

From our audit work performed, the following statutory issues may be negatively impacting the number of CAFA forfeiture proceedings taking place or being completed:

- Lack of a definition of "seizure".

- Restrictive time limits for reporting seizures to prosecutors and for prosecutors to make petition for forfeiture decisions.

- Lack of clear exceptions to the general rule requiring a felony criminal conviction or guilty plea for a property owner prior to the potential forfeiture of property seized to the criminal case.

- Subjective guidelines allowing seized property to be transferred to federal authorities and a lack of clear statutory guidance for handling a seizure when a federal transfer order is denied.

Prosecuting Attorney Seizure Report Submission Compliance

Section 517.607.7, RSMo 1994 requires each county Prosecuting Attorney and the state Attorney General to whom CAFA seizures are reported to file an annual report with the director of the Department of Public Safety (DPS) by the end of January for the previous calendar year's seizures.

For each of the three years ended December 31, 1998, we obtained information from the returned survey forms and reviewed the annual reports submitted to the DPS to compile the compliance results summarized on Schedule D. For calendar year 1998, the DPS received reports from 66 of 116 (57 percent) prosecutors. For calendar years 1996 and 1997, the compliance percentage was below 50 percent for each year.

Our survey results indicated twenty-five Prosecuting Attorneys who did not file reports with the DPS for 1998 seizure activity had no seizures reported to their offices for that year. Our review of the reports filed with the DPS for 1998 seizure activity indicated eleven Prosecuting Attorneys filed reports despite having no seizure activity reported to their offices. Based on these results, it appears the statute wording is unclear as to whether a report is to be filed in the event no seizures were reported to a Prosecuting Attorney during the previous calendar year. In addition, we noted the statute includes no penalty provision in the event a Prosecuting Attorney fails to submit the required report.

The statute requires the reports to include the date, time and place of the seizure; the property seized; the estimated value of the property; the person or persons from whom the property was seized; the criminal charges filed; and the disposition of the seizure, forfeiture and criminal actions; however, no standard report format is required. Most reports filed with the DPS were prepared using different formats which made reviewing and analyzing them more difficult. A standard report format should eliminate this problem and provide DPS officials with an easier means to compare the information submitted by each prosecutor. In many instances, the disposition of cases was noted as pending due to the cases not being adjudicated as of the report filing date. The statute does not require pending cases to carry forward to the subsequent year's report. Most of the reports did not contain any additional information regarding pending cases on reports filed in subsequent years. Therefore, anyone reviewing these public documents cannot determine the disposition of a previously pending case without contacting the prosecutor's office.

The statute is also unclear as to whether cases that have been transferred to federal authorities should be included on the reports filed. During our case analysis discussed previously, we reviewed seizure cases handled by twenty county Prosecuting Attorneys and the St. Louis Circuit Attorney that were transferred to federal authorities following a judge's approval. The reports filed for six of these twenty-one (29 percent) prosecutors did not always include seizure cases transferred to federal authorities. Discussions with some of these prosecutors indicated their interpretation of the statute was that these cases did not have to be reported.

In addition, the statute does not specify what the DPS is do with the reports. As a result, whatever benefit the legislature envisioned from the implementation of this reporting requirement may not be taking place.

As the result of our review of compliance with Section 513.607.7, RSMo 1994 we have determined that:

- Twenty-five prosecutors stated they did not file the required reports because they did not have seizure cases reported to them.

- Most prosecutors in jurisdictions involved in a significant amount of seizure activity appropriately filed reports.

However it is also evident that:

- The statute is unclear about whether a prosecutor must file a report if no seizures were reported to his or her office for the reporting period or whether cases transferred to federal authorities should be included on the report.

- The statute does not include some type of penalty provision in the event a prosecutor fails to submit the required seizure report to the DPS.

- The statute does not address in the reporting requirements that the disposition of criminal and forfeiture cases related to seizures may take more than a year.

- The statute does not provide the DPS the authority to establish a required standard reporting format or address what the DPS is do with the reports which are submitted.

SCHEDULE D

REVIEW OF FORFEITED PROPERTY
PROSECUTING ATTORNEY SEIZURE REPORT SUBMISSION COMPLIANCE

County/Other	Year Ended December 31, 1998	1997	1996
Adair	X		X
Andrew			
Atchison	&	&	&
Audrain			X
Barry			
Barton	X	&	&
Bates	X		
Benton	X		X
Bollinger	X		
Boone	X	X	X
Buchanan	X	@	@
Butler	X	X	
Caldwell	X	&	&
Callaway	X	X	X
Camden			
Cape Girardeau	X	X	X
Carroll	&	&	
Carter	X	X	X
Cass	X	X	X
Cedar	&	&	X
Chariton	X	&	&
Christian	X	&	&
Clark		X	X
Clay	X		X
Clinton	X	X	X
Cole	X	X	X
Cooper	X	X	X
Crawford			
Dade	&	&	&
Dallas			
Daviess	X		
DeKalb	X	X	X
Dent			
Douglas	&	&	&
Dunklin			
Franklin	X	X	X
Gasconade			
Gentry	X	X	X
Greene	X	X	X
Grundy	X	X	X
Harrison	&	&	&
Henry	X	X	@
Hickory	X	X	X
Holt	&	&	&
Howard	X		
Howell	X	X	X
Iron	&	&	&
Jackson	X	X	X
Jasper	X		
Jefferson		X	X
Johnson	X	X	X
Knox	&	&	&
Laclede	X	X	X
Lafayette	X	X	X
Lawrence	X	X	X
Lewis	X	X	&
Lincoln	X	X	X
Linn	X		

County/Other	Year Ended December 31, 1998	1997	1996
Livingston	&	&	&
Macon	X		
Madison	&	&	&
Maries	&	X	X
Marion			X
McDonald	&	@	&
Mercer	&	&	&
Miller	X	X	@
Mississippi	&	&	X
Moniteau	X	&	&
Monroe	X	X	X
Montgomery			
Morgan			
New Madrid	&	X	X
Newton	X	X	X
Nodaway	X	X	
Oregon	X	X	X
Osage	&	&	&
Ozark	X		
Pemiscot	X	&	@
Perry	&	&	&
Pettis	X	X	X
Phelps	X	X	
Pike		X	
Platte	X	X	X
Polk			
Pulaski	@	&	&
Putnam	&	&	&
Ralls	X	X	X
Randolph	X		
Ray	X	X	X
Reynolds	&	&	&
Ripley	&	&	&
Saline	X		X
Schuyler	X	&	&
Scotland	@	X	X
Scott			
St. Charles	X	@	@
St. Clair	&	&	&
St Francois			X
Ste. Genevieve	&	X	&
St. Louis	X	X	X
Shannon	&	&	&
Shelby	X	X	
Stoddard			
Stone		X	
Sullivan	X	&	X
Taney	X	X	X
Texas	X		
Vernon			X
Warren	X	X	X
Washington	X	&	X
Wayne			
Webster	@	&	&
Worth	X	X	X
Wright	X		
Attorney General	&	&	&
St. Louis Circuit Attorney	X	X	X
Total to file reports	66/116	48/116	50/116

X — Filed a CAFA seizure report for the indicated year.

& — Did not file a CAFA seizure report for the indicated year, but responded on the survey that no seizures had been reported to his/her office during the requested period.

Did not file a CAFA seizure report for the indicated year and did not respond to the survey or reported on the survey that he/she was new to office in January 1999 and did not know if reports had been filed.

@ — Did not file a CAFA seizure report for the indicated year, but responded on the survey that seizures had been reported to his/her office during the requested period and provided details.

VI - FEDERAL SEIZURE ACTIVITY

Summary of Federal Agency Seizure Activity

As part of our survey process as discussed in Section III and review of the documentation provided by the Department of Justice and the Department of the Treasury, we obtained information regarding seizures handled by federal agencies that were participated in by Missouri law enforcement agencies. The total federal agency handled seizure activity for the three years ended December 31, 1998 was determined to be:

Federal Seizures		1998	1997	1996	Total
St. Louis and Kansas City Airport Seizures	$	3,264,837	2,515,294	2,416,575	8,196,706
Other Seizures		14,400,554	9,475,513	7,976,889	31,852,956
Grand Total	$	17,665,391	11,990,807	10,393,464	40,049,662

To prevent the same seizures from being counted more than once due to law enforcement agencies participating on the same seizure case, we deleted identified duplicate seizures from the overall seizure totals obtained from the survey responses. Seizures at airports would be inherently federal cases due to the multi-state nature of activities occurring at them, as well as, Federal Aviation Administration oversight. Such seizures represented 21 percent of all federal agency handled seizures during the three years reviewed. In addition, in most cases (85 percent or more) the individual the monies were seized from committed no chargeable felony crime under Missouri law and a CAFA proceeding in most cases would be unlikely.

Many local law enforcement agencies have officers that are detached to federal task forces. The task forces are often established to allow the officers to perform their duties in multiple jurisdictions. Section 513.649 RSMo 1994 requires property seized by state or local law enforcement officers who are detached to or working in conjunction with federal agencies to be subject to the CAFA. Often these officers may be working cases on which seizures take place where the actual "seizure" is made by a federal agent assigned to the task force. Each law enforcement agency with officers detached to the task force will participate in the Equitable Sharing of these proceeds even if the detached officers were not part of the case that resulted in the seizure. As noted in Section V the point at which a seizure occurs is often open to interpretation. Based on our review of local law enforcement case files involving seizures handled by task forces it was often unclear whether a detached local law enforcement officer or a federal agent handled the seizure. Due to the fact that detached local law enforcement officers could be subject to conflicting state and federal regulations when conducting a seizure it is unclear whether federal or state forfeiture statutory requirements should take precedence.

To evaluate the circumstances which led to some of the federal agency controlled seizures we reviewed the case documentation for some of them at several local law enforcement agencies.

Federal Forfeiture Case Analysis

We selected cases at the following law enforcement agencies for review: Kansas City Police Department, St. Louis Police Department, St. Louis County Police Department, St. Charles County Regional Drug Task Force, Piedmont Police Department, Hickory County Sheriff's Department and the State Highway Patrol. We also attempted to review seizure case documentation at the Boone County Sheriff's Department and the Mid-Missouri Unified Strike Team and Narcotics Group (MUSTANG) task force, but were denied access to records by these organizations. We selected primarily for review law enforcement agencies which received a significant amount of Equitable Sharing proceeds identified from our work in Section IV. We also selected some other agencies in order to obtain a better understanding of seizure activity at jurisdictions which received a limited amount of Equitable Sharing proceeds. The results of the case review are summarized in the following table:

Federal Forfeiture Case Analysis

Law Enforcement Agency	Seizures Controlled by Federal Agency: Federal Agency Case	Seizures Controlled by Federal Agency: Local Law Enforcement Case	Transferred to Federal Agency With Court Approval	Total		Value of Seizures Reviewed
Kansas City Police Department	25	13	0	38	$	1,998,404
St. Charles County Regional Drug Task force	1	7	2	10		142,656
St. Louis County Police Department	20	0	4	24		1,092,100
St. Louis Police Department	16	4	0	20		1,898,053
State Highway Patrol	1	7	0	8		5,978,980
Piedmont Police Department	0	1	0	1		15,418
Hickory County Sheriff's Department	0	1	2	3		38,775
Totals	63	33	8	104	$	11,164,386
Percentage of Total	60.6%	31.7%	7.7%			

If the case the seizure resulted from was initiated or controlled by a federal agency or federal task force, the seizure was classified as a "Federal Agency Case." The following table breaks down the cases classified in this manner:

Federal Forfeiture Case Analysis - Federal Agency Cases

Law Enforcement Agency	Airport DEA	Post Office	Seizure Made Federal		Total Cases		Value
Kansas City Police Department	13	1	8	3	25	$	1,476,320
St. Charles MEG Unit	0	0	0	1	1		35,000
St. Louis County Police Department	12	3	2	3	20		1,067,200
St. Louis Police Department	4	0	1	11	16		1,619,013
Missouri State Highway Patrol	0	0	0	1	1		3,830
Piedmont Police Department	0	0	0	0	0		0
Hickory County Sheriff	0	0	0	0	0		0
Totals	29	4	11	19	63	$	4,201,363

Based on our review of these case files we identified that a federal agency initiated the case which resulted in the eventual seizure and federal task forces were involved in the investigations. It was sometimes unclear based on the case information whether any detached local law enforcement officers were involved in the seizure activity. If a detached officer made any of these seizures, it appears that they should have been

reported to the county Prosecuting Attorney; however, it is likely these seizure cases would be transferred in accordance with Section 513.647 RSMo 1994 to federal authorities involved in the case investigation and prosecution.

If the case the seizure resulted in was controlled or initiated by a local law enforcement agency the seizure was classified as "Local Law Enforcement Case." The following table breaks down the cases classified in this manner:

Federal Forfeiture Case Analysis - Local Law Enforcement Cases

	Seizure Not Reported to County PA					
	In Rem	CAFA	CAFA	Seizure		
Law Enforcement Agency					Total Cases	Value
Kansas City Police Department	0	6	7	0	13	$ 522,084
St. Charles MEG Unit	0	3	4	0	7	89,646
St. Louis County Police Department	0	0	0	0	0	0
St. Louis Police Department	0	2	2	0	4	279,040
Missouri State Highway Patrol	3	2	1	1	7	5,975,150
Piedmont Police Department	0	0	1	0	1	15,418
Hickory County Sheriff	0	1	0	0	1	4,375
Totals	3	14	15	1	33	$ 6,885,713

For thirty-two of these thirty-three cases, the seizure was not reported by a local law enforcement officer to a county Prosecuting Attorney or the Attorney General prior to federal authorities being called to seize the property. The prosecutors were not given the opportunity to determine how to proceed with these potential forfeiture cases. To ensure county Prosecuting Attorneys are aware of all law enforcement agencies participating in seizure activity, these agencies should be required to notify the county Prosecuting Attorney of any Equitable Sharing requests made by those agencies.

For fourteen of these cases which are classified as "CAFA Forfeiture Proceeding Possible" a felony state charge was possible based on the violations noted in the case file which would have allowed for the initiation of a CAFA proceeding. This conclusion was made whether or not the corresponding criminal case was eventually prosecuted in federal court. These seizures could have resulted in CAFA proceedings, but other circumstances may have prevented those proceedings from being completed. The total value of these fourteen seizures was $282,052. For fifteen of these cases which are classified as "CAFA Forfeiture Proceeding Unlikely" a state felony charge was not possible based on the violations noted in the case file and there was no indication in the file if the individual the property was seized from disclaimed ownership interest in it which may have allowed the seizure to be handled under an In Rem CAFA proceeding (explained further in the next part of this section). The total value of these fifteen seizures was $3,662,376. For three of these seizures which are classified as "In Rem CAFA Forfeiture Proceeding Possible" a state felony charge was not possible based on the violations noted in the case file; however, the individual the property was seized from disclaimed ownership interest in it which would have allowed the seizure to be handled under an In Rem CAFA proceeding (explained further in the next part of this section). The total

value of these three seizures was $2,899,285. One seizure took place in the state of Michigan related to a joint operation of the Missouri and Michigan State Highway Patrols and was controlled by the Michigan Highway Patrol.

Use of In Rem CAFA Proceedings

For many potential seizures in the state, the individual in possession of the property cannot be charged with a felony crime. In general, these seizures could not proceed under the CAFA because a felony conviction or plea cannot occur. In some instances the individual in possession of the property disavows any ownership interest in it. Under these circumstances the property may be considered abandoned or unclaimed which could allow it to be subject to a state In Rem CAFA proceeding. The outcome of such a case is largely dependent on whether this individual or someone else claims ownership of the property. Until recently, it does not appear that county Prosecuting Attorneys and the state Attorney General had viewed In Rem CAFA proceedings as a viable option for narcotics related seizures due to the doubt about the outcome of the proceedings. However, in January 1999, the state Attorney General's office prosecuted an In Rem CAFA proceeding based on monies seized by the State Highway Patrol after a vehicle stop and search for which the driver disavowed any ownership interest in the monies. The case was decided in the state's favor in May 1999.

During our review of seizure cases at the various local law enforcement agencies, we noted that the agents of some local offices of federal agencies or federal task forces have developed a generic form which they attempt to get individuals to sign if they disavow any ownership interest in monies subject to federal seizure. The form used often indicates that by signing it the individual waives his or her right to notice of seizure of this currency and does not have the right to file a petition for return of the currency since it does not belong to him or her. It appears such forms are used by federal agencies to improve the favorable decision rate regarding federal seizure cases. If a similar form were used by Missouri law enforcement agencies the success rate for narcotics related In Rem CAFA proceedings may be enhanced and concerns of prosecutors regarding case outcomes lessoned or alleviated.

For our analysis of federal seizure cases, we classified three seizures as "In Rem CAFA Forfeiture Proceeding Possible." It appears these seizures could have been handled as In Rem CAFA proceedings similar to the January 1999 seizure noted above, but were not because prosecutors and law enforcement agencies apparently did not consider this option as a viable forfeiture method at the time the seizures took place.

- It appears that under the current CAFA requirements, the number of potential CAFA forfeiture proceedings could be increased through expanded use of In Rem CAFA proceedings. This might occur if a standard form was developed for law enforcement officers to use that individuals could be asked to sign if they disavowed ownership interest in monies subject to forfeiture.

CAMDEN POINT FIRE PROTECTION DISTRICT

PLATTE COUNTY, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-96
October 7, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Camden Point Fire Protection District, Platte County, Missouri.

It appears the board has not always provided documents requested by citizens to those individuals in a timely manner. In one instance, documents requested in November 1997 were not provided until January 1998. In another instance, information requested in September 1998 was not provided until January 1999.

The board met periodically for work sessions for various purposes. It appears that the board believed these meetings were not subject to the provisions of Missouri's open meetings law, therefore, these sessions were not posted nor were minutes maintained. However, it appears these sessions generally included an initial review, discussion and coding of expenses incurred by the district prior to being sent to the accountant for payment. Such activities constitute matters which should be handled in public meetings.

In November 1998, the board enacted a formal policy regarding public access to district records. This policy provided that the person requesting such records would be responsible for the costs of producing and copying the records and that the custodian of records would be paid $50 per hour for the time spent responding to such requests. The $50 per hour charge was subsequently reduced to $25 per hour. Considering the work involved in producing and copying records is typically clerical in nature, the $25 per hour charge may still be excessive and have the effect of discouraging information requests.

The board has not ensured that board members are notified when their term expires or that the proper board member has run for reelection. As a result, in April 1997, one board member ran for reelection even though it was another board member's term which was due to expire. In addition, the board has not ensured the public is given timely notice of upcoming board elections or allowed the public the required amount of time in filing for office. For both the April 1997 and April 1995 elections, the board failed to publish timely notices of the open position and upcoming election as defined by state law. Possibly because of the manner in which the election notices were handled, the respective board members running for reelection ran without opposition in both of these elections.

(over)

The board entered into lease-purchase agreements to finance the construction or purchase of the fire station building and district vehicles. These lease-purchase agreements include provisions that impose a substantial fee for termination of the agreements, effectively eliminating the board's ability to terminate the agreements. If the board had terminated the leases at the end of 1998, the termination fees on the building and vehicle leases would have totaled $137,147. In comparison, the principal balance on the two leases totaled $175,671, at that time. Considering the extent of the termination fees, it is apparent the termination provisions would never be exercised. It appears the board has effectively entered into long-term debt without a vote of the district's taxpayers, which is required by the Missouri Constitution.

The district's sales tax exemption was used to make purchases totaling about $1,100, by or on behalf of private entities or individuals. While the district was reimbursed for the cost of the items, those entities/individuals avoided paying sales tax on these purchases. Although district officials indicated these purchases were not made to avoid paying sales taxes, the sales tax exemption should not be used to benefit private entities or individuals.

The board approved expenditures in excess of the approved budget for 1997 and 1998, and the budgets did not include all required and necessary information. In addition, the district has not always filed an annual financial report with the State Auditor's office as required.

It appears the board failed to adequately follow up on the refund of a $500 deposit made on a fire truck being considered for purchase and, as a result, did not receive the refund in a timely manner. Travel expenditures made from a cash advance for district representatives sent to inspect the truck were not adequately documented and the remaining funds were not accounted for fully.

The board has contracted with a private accountant to handle its bookkeeping duties, but the district performs no independent review or oversight related to the records or duties of this accountant. The board did not document its approval of all expenditures made by the district, and the check register of the district was not maintained accurately. The board did not retain all voided checks, and no financial report was available to the board at various board meetings.

CAMDEN POINT FIRE PROTECTION DISTRICT
PLATTE COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Directors
Camden Point Fire Protection District
Platte County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Camden Point Fire Protection District, Platte County, Missouri. The fire protection district had engaged Karlin and Unger, Certified Public Accountants, (CPA firm), to perform a financial audit of the district for the year ended December 31, 1998. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the fire protection district included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, policies, and various fire protection district financial records.

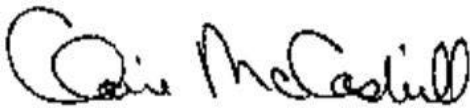
Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the fire protection district and was not subjected to the auditing procedures applied in the audit of the fire protection district.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Camden Point Fire Protection District, Platte County, Missouri.



Claire McCaskill
State Auditor

May 4, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CAMDEN POINT FIRE PROTECTION DISTRICT
PLATTE COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The Camden Point Fire Protection District, Platte County, Missouri, is a fire protection district established pursuant to Chapter 321, RSMo. The district was organized following voter approval in April 1989. It had previously existed as an unincorporated volunteer fire department since 1962. It covers approximately 18 square miles in Platte County, Missouri and has one fire station.

The district government consists of a three-member Board of Directors who serve as the president, secretary/treasurer, and director for the district. The directors are elected for six-year terms. The board and all district personnel serve without compensation. The Board of Directors and Fire Chief at December 31, 1998, were:

Elected Officials	Term Expires	Bond Amount
Fred McDaniel, Chairman (1)	April 1999	$ 10,000
Steve Folck, Secretary/Treasurer	April 2003	10,000
Robert Wright, Director	April 2001	10,000

Other Principal Official	
Walt Stubbs, Fire Chief	None

(1) Kurt Dutcher was elected to the board in April 1999. Robert Wright was appointed Chairman in April 1999.

The district's assessed valuation and tax rate information for 1998 are as follows:

ASSESSED VALUATION

Real estate	$	8,240,220
Personal property		2,995,823
Total	$	11,236,043

TAX RATE PER $100 ASSESSED VALUATION

General	$ .55
Total	$ .55

At December 31, 1998, the district had 17 volunteer firefighters.

MANAGEMENT ADVISORY REPORT SECTION

CAMDEN POINT FIRE PROTECTION DISTRICT
PLATTE COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Board Meetings and Records (pages 8-11)

Some activity conducted by the board in work sessions appears to be activity which is limited to open meetings. A tentative agenda of matters to be discussed in the regular board meetings is not posted. Minutes were not generally maintained for closed meetings, the purpose for the closed session or the related vote was not always disclosed, and a topic was discussed in a closed meeting which did not appear to be for a purpose allowed by law. The board has not always provided documents requested in a timely manner and the board's established charge for document research may not be reasonable.

2. District Elections (pages 11-12)

In April 1997, one board member ran for reelection although another board member's term had actually expired. In addition, the board has not provided the public with timely notice of pending elections or allowed the proper amount of time for filing.

3. Expenditures (pages 12-15)

Original invoices were not retained to support some expenditures and some invoices/bills were not paid in a timely manner. District monies were expended for items which were not necessary to operate the district. Charges incurred for personal telephone calls made from district telephones were paid by the district and not reimbursed. The district's sales tax exemption was used to purchase items for private entities and individuals, thereby avoiding sales tax.

4. Purchase of Fire Truck (pages 15-16)

The board failed to follow up on the refund of a $500 deposit made on a fire truck being considered for purchase and, as a result, did not receive the refund in a timely manner. Travel expenditures made from a cash advance were not adequately documented and the remaining funds were not accounted for fully.

5. Lease Purchase Agreements (page 17)

The board entered into lease purchase agreements to finance the construction or purchase of the fire station building and district vehicles. These lease purchase agreements include provisions that impose a substantial fee for termination of the agreements, effectively eliminating the agreements' annual renewal option.

6. Budgetary Practices and Financial Reporting (pages 18-19)

The board approved expenditures in excess of the approved budget for the years ended December 31, 1998 and 1997, and the budgets did not include all required and necessary information. In addition, the district has not always filed an annual financial report with the State Auditor's office as required.

7. Accounting Controls and Procedures (pages 19-21)

The board has contracted with a private accountant to handle its bookkeeping duties, but the district performs no independent review or oversight related to the records or duties of this accountant. The board did not document its approval of all expenditures made by the district, and the check register of the district was not maintained accurately. The board did not retain all voided checks, and no financial report was available to the board at various board meetings.

1. Board Meetings and Records

A. During the audit period, it appears the board met periodically for work sessions for various purposes. It appears that the board believed these meetings were not subject to the provisions of Chapter 610, RSMo, the open meetings law. As a result, these sessions were not posted nor were minutes maintained.

According to board members, these sessions generally included an initial review and discussion of expenses incurred by the district and a determination of how expenditures should be coded prior to being sent to their accountant for payment. It appears that such activities constitute matters discussed or actions taken by the board which should be conducted in public meetings.

Section 610.010, RSMo Cum. Supp. 1998, indicates that any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to the provisions of the open meetings law. While informal gatherings of a governmental body for ministerial or social purposes do not constitute public meetings, it appears the activity conducted in the work sessions as discussed above should be handled in public meetings.

Assuming these work sessions constitute public meetings, the requirements of Chapter 610, RSMo, apply, including the requirement to post the meetings and the preparation of minutes documenting any actions taken or decisions made at the meetings. In addition, considering the limited activity and operations of the district, the need for any work sessions should be minimal.

B. The board holds regular meetings on the fourth Monday of each month. Notice of the regular board meetings is continuously posted at the fire station; however a tentative agenda indicating what is to be discussed at the monthly board meeting is not posted as required. Section 610.020, RSMo Cum. Supp. 1998, requires a tentative agenda to be included in the notice posted for an upcoming meeting.

C. The board conducted business in closed meetings on various occasions. Section 610.021, RSMo Cum. Supp. 1998, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, and personnel matters. During our review of this area, the following concerns were noted:

1) Minutes were not generally maintained to document matters discussed during the closed meetings. In the absence of closed meeting minutes, there is no evidence the closed discussions or business related to the specific reason(s) announced for closing the meeting. In addition, although minutes for closed meetings are not specifically required by law, minutes constitute the record of the proceedings of the board. Failure to maintain such minutes results in an inadequate record of district transactions, proceedings, and decisions.

2) When the board closed its meetings, the minutes did not always indicate the reason(s) for closing the meeting or the related vote for closing the meeting. Section 610.022, RSMo Cum. Supp. 1998, requires that before any meeting may be closed, the question of holding the closed meeting shall be voted on at an open session. The vote and the specific reason listed in Chapter 610, RSMo, for holding the closed meeting should be entered into the regular meeting minutes.

3) In one instance a topic discussed in a closed meeting did not appear to meet the criteria outlined in Section 610.021, RSMo Cum. Supp. 1998. The board discussed and approved a contract for dispatching services with the Platte County Sheriff in a closed session in September 1998. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610, RSMo.

D. It appears the board has not always provided documents requested by citizens to those individuals in a timely manner. We noted one instance where an individual requested documents in writing on November 25, 1997; however, some of this information was not provided until January 1998. In another instance, on September 28, 1998, this same individual requested additional information from the district but it was not provided until January 1999.

Section 610.023.3, RSMo Cum. Supp. 1998, states, "Each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received...The period for document production may exceed three days for reasonable cause."

Board members indicated that there were various reasons why these documents had not been released, including some confusion regarding the items requested, the fact that some of the documents were kept off-site, and (in the case of the latter request) that the board had not developed a formal policy regarding public access to district records. However, the reasons given by the board do not appear to adequately explain or justify the delay in producing these documents.

E. On November 23, 1998, the board enacted a formal policy regarding public access to district records. This policy provided that the person requesting such records would be responsible for the costs of producing and copying the records and that the custodian of

records would be paid $50 per hour for the time spent responding to such requests. The $50 per hour charge was subsequently reduced to $25 per hour. Considering the work involved in producing and copying records is typically clerical in nature, the $25 per hour charge may still be excessive and have the effect of discouraging information requests.

Section 610.026, RSMo Cum. Supp. 1998, allows the board to prescribe reasonable fees for providing access to or furnishing copies of public records, not to exceed the actual cost of document search and duplication. The board should reevaluate the current hourly fee and ensure that fee and any others are reasonable, do not exceed actual costs, and are consistent with the spirit and intent of the applicable statute.

WE RECOMMEND the Board of Directors:

A. Ensure activity required to be conducted in open meetings is handled in accordance with the provisions of Chapter 610, RSMo. This would include board's reviews, discussion, and approval of expenses incurred by the district. In addition, the board should review the need for work sessions considering the limited operations of the district.

B. Ensure the notices posted advising the public of upcoming meetings include tentative agendas as required by state law.

C.1) Ensure that minutes are maintained for closed meetings.

2) Ensure that the regular minutes document the vote to go into closed session and state the reason(s) for doing so as required by state law.

3) Ensure any matters discussed in closed meetings are limited only to those subjects specifically allowed by state law.

D. Ensure that documents requested by citizens are provided to those individuals in a timely manner as required.

E. Reevaluate the hourly fee related to document requests and ensure any fees charged are reasonable, do not exceed actual costs, and are consistent with the spirit and intent of the applicable statutes.

AUDITEE'S RESPONSE

A. The Board of Directors concurs and indicated it has taken action to address this situation.

B,C.1. &C.2. The Board of Directors concurs and indicated these recommendations have already been implemented.

C.3. The Board of Directors indicated it would ensure that only appropriate matters are discussed in closed session; however, those members who were on the board at the time believe that the instance cited in this finding met the legal criteria for it to be discussed in closed session.

D&E. The Board of Directors concurs.

2. District Elections

During a review of district elections and the related procedures, the following concerns were noted:

A. The board has not ensured that board members are notified when their terms expire or that the proper board member has run for reelection. As a result, in April 1997, Board Member Folck ran for reelection even though it was Board Member McDaniel's term which was due to expire. Board Member Folck's term was actually due to expire in April 1999. This error was brought to the attention of the board in August 1998, and subsequently Board Member McDaniel was reappointed to the board until the April 1999 election.

To ensure the integrity of the election process, procedures should be established to ensure that the board members are advised when their terms are due to expire and that the proper board member runs for reelection, if applicable.

B. The board has not ensured the public is given timely notice of upcoming board elections or allowed the public the required amount of time in filing for office. Section 115.127.5, RSMo 1994, provided that the political subdivision or special district calling an election was required to notify the general public by a newspaper publication of the upcoming election before the thirteenth Tuesday prior to any election of the office(s) to be filled. In addition, that statute provided that candidates for office could file for office from the thirteenth Tuesday prior to the election to the ninth Tuesday prior to the election.

For both the April 1997 and April 1995 elections, the board failed to publish timely notices of the open position and upcoming election as defined by Section 115.127.5, RSMo 1994. The notices were published 2 and 16 days later than the statutory deadline for the 1997 and 1995 elections, respectively. In addition, although that statute provided that potential candidates were allowed four weeks to file for office, the notices published earlier closing dates and allowed only 6 days and 13 days to file for the 1997 and 1995 elections, respectively. Possibly because of the manner in which the election notices were handled, the respective board members running for reelection ran without opposition in both of these elections.

It should be noted that Section 115.127.5, RSMo, was revised effective August 1997, and the district is now required to give published notice of an upcoming election before the fifteenth Tuesday prior to the election and that candidates are to be allowed to file for the office from the fifteenth Tuesday to the eleventh Tuesday prior to the election. It appears the district made a more concerted effort to follow the provisions of the law prior to the April 1999 election. Although the notice was published two days later than the statutory deadline, the publication indicated a four week period for filing as required.

WE RECOMMEND the Board of Directors:

A. Ensure board members are notified when their terms are about to expire and that the proper board member runs for reelection, if applicable.

B. Ensure that notice of upcoming board elections is published in a timely manner and candidates are given adequate time to file for office in accordance with the applicable statute.

AUDITEE'S RESPONSE

A&B. The Board of Directors concurs; however, the board indicated this situation occurred partly because of a change in the county's classification which resulted in the board becoming responsible for election-related matters which had previously been handled by the county.

3. Expenditures

A. Original invoices were not retained to support some disbursements. Examples of instances where invoices were not retained included charge tickets for fuel and purchases made from Sam's Club. In addition, we noted several instances where expenses incurred by board members on behalf of the district were supported only by an expense reimbursement form, with no supporting documentation attached. For example, a computer purchased for $2,464 was supported only by an expense reimbursement form.

To ensure all purchases made from district funds are appropriate expenditures and are adequately documented, original invoices should be maintained to support all disbursements.

B. Several instances were noted where invoices were not paid in a timely manner. For example, we noted that in October 1997, a bill from Sam's Club was not paid by the applicable deadline. As a result, a $10 late payment fee was assessed. Procedures should be adopted by the district to ensure the timely payment of invoices/bills.

C. The district spent $909, $374, and $779 during the years ended December 31, 1998, 1997 and 1996, respectively, on annual firefighter banquets, children's Christmas gifts, and flowers for the funerals of former firefighters and board members' families.

These disbursements do not appear to be necessary or prudent uses of public funds. Expenditures such as these could be funded through a firefighters' contribution fund or association. The district's residents have placed a fiduciary trust in their public officials to spend tax revenues and fees in a necessary and prudent manner.

D. The district spent approximately $732 and $924 during the years ended December 31, 1997 and 1996, respectively, for charges related to the district cellular telephone. According to the board, this cellular telephone was used primarily by Board Member Wright during this period. During our review of the cellular telephone bills, we noted personal calls totaling $89 and $82 during 1997 and 1996, respectively, which were paid for by the district. When we discussed this matter with Board Member Wright, he indicated that he had used the cellular phone to make personal calls while traveling on district business; however, he indicated that he had offered to repay the district for these calls. According to him, the board did not require him to reimburse the district for the cost of these calls. In addition, besides the personal calls made from the cellular phone, we also noted similar personal calls of a lesser amount made from the telephone at the fire station.

The payment of telephone charges related to personal calls made by district officials/personnel does not appear to be a necessary or prudent use of district funds. The board should ensure any charges related to personal calls made on district telephones are repaid by the applicable individuals.

The cellular phone was installed in one of the district's vehicles in 1998, and we did not note any similar problems in that year.

E. We noted instances where the district's sales tax exemption was used to make purchases by or on behalf of private entities or individuals. Although the district was subsequently reimbursed for the cost of those items which were initially paid for by the district, those entities/individuals effectively avoided paying sales tax on these purchases. The instances noted include the following:

1) In December 1996, Board Member McDaniel purchased a computer and related equipment for the district office on a personal credit card. Included with this purchase were also items he purchased for his personal use costing $549. The entire purchase was made using the district's tax exemption.

2) In August 1996, supplies costing $46 were purchased for a political organization using the district's charge account.

3) District officials indicated that they encourage the firefighters to buy personal items from district suppliers to get discounts given to the district. In June 1997, we noted a firefighter ordered tires costing $544 from a district supplier which were initially paid for by the district.

Even though district officials indicated these purchases were not made to avoid paying sales taxes, a sales tax exemption granted to a political subdivision should not be used to benefit private entities or individuals. Doing so is a violation of the sales tax exemption letter.

WE RECOMMEND the Board of Directors:

A. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices and other supporting documentation.

B. Develop procedures to ensure that all invoices/bills are paid in a timely manner.

C. Limit expenditures to only those necessary to properly operate the district.

D. Ensure the costs of any personal calls made on district telephones are reimbursed by the applicable individuals.

E. Ensure the sales tax exemption of the district is not used for the benefit of private entities or individuals.

AUDITEE'S RESPONSE

A&B. The Board of Directors concurs and has taken steps to implement these recommendations.

C. The Board of Directors will take this recommendation under consideration.

D. The Board of Directors will review this situation and establish a policy related to this area.

Board Chairman Wright provided the following response:

The audit draws attention to personal calls I made using the district's cellular and office telephones. Over two years, this amounted to $171, or $7.12 per month, on the cellular phone. Calls on the district's office phone involved even less money. There are several points I would like to make about this:

1) As is indicated in the audit report, I offered to compensate the district for those calls. That offer was refused by the Board of Directors. The reason for the board's refusal requires some explanation. During the period of time in question, I was volunteering

enormous amounts of time toward efforts to upgrade the district's fire apparatus and resolve some complex insurance issues (one of which involved a chemical spill on I-29 to which the district responded). I was, in essence, working full time for the district as a volunteer.

Much of this work required local and out-of-district travel. While traveling, I would occasionally check-in with my family. I was also receiving some free legal advice on some of the insurance issues from my daughter-in-law who is an attorney. As is known by the board, I was reimbursed for far less than half my out-of-pocket costs for this travel. So when I offered to compensate the board for the personal use of the cellular phone, this offer was refused as a small token of appreciation for the time and travel expenses I was volunteering to the district.

In retrospect, I should have detailed the travel costs, deducted the small amount of the personal use of the cellular phone, and shown the balance as a donation to the district. But the point here is simple: because I was saving the district literally thousands of dollars, the board refused to accept my payment for the cellular phone expenses because of its appreciation for this work.

2) There was an implication in the audit report that all the personal calls on the district's office phone were mine. That is far from true. During the time in question, the district's policy was that all volunteers working for the district could use the office phone for personal calls while they were donating their time and efforts at the fire station. As the audit clearly indicates, there has never been abuse of this privilege by me or any of the other district volunteers. Again, while this may not have been the technically correct approach, it only seems to be the right thing to do given the vast number of hours and out-of-pocket dollars these volunteers have donated to the district.

E. The Board of Directors concurs.

Board Chairman Wright provided the following response:

The audit makes some reference to a $46 purchase made for a political organization using the district's tax exempt status at a local discount store. This was an inadvertent mistake that I made while working for the Platte County Democratic Party. I brought this mistake to the attention of the district's auditing firm and financial officer to make sure all appropriate corrective steps were taken. Obviously this mistake did not cost the district one cent. Just for the record, I wanted to make it clear that actions were taken to correct this mistake beginning literally the day after the mistake was made and long before the state audit or even discussions of a state audit.

4. Purchase of Fire Truck

During 1996, the board decided to purchase a used fire truck to replace an aged truck that no longer met the department's needs. While looking through publications, board officials located a truck in Louisiana which interested them. As a result, the board decided to send one board member and two other district personnel to inspect this truck. The following concerns were noted during our review of this situation:

A. Prior to these three people leaving for Louisiana, the board contacted the company selling the truck to express its interest. This company indicated that it could not guarantee the fire truck would be there when the district's representatives arrived unless a deposit was provided. As a result, the board sent the company a $500 deposit on the truck. Once the district's representatives inspected the truck, the district decided not to buy it because it was flood damaged.

   Board officials indicated they attempted to secure a refund of this deposit; however, they were unsuccessful in doing so. During our review, we contacted the applicable company and were told that a $500 refund check had been issued to the district in January 1997, but the check had never cleared. The company indicated the refund check would be reissued if it received a written request from the district. After we brought this matter to the attention of the district, such a request was submitted and the $500 refund was received in May 1999.

   It appears the board did not do an adequate job of following up on this refund. Had it done so, the refund would have been received in a much more timely manner.

B. A $1,500 cash advance was provided to the district's representatives to pay for the expenses relating to the trip to Louisiana. Upon returning from the trip, receipts totaling $543 were presented; however, $127 in additional costs claimed were supported only by handwritten notes. In addition, $740 was returned and deposited into the district's account, leaving $90 unaccounted for.

   All cash advances should have documentation to support the validity and reasonableness of travel costs incurred and any unspent monies should be promptly returned to the district.

WE RECOMMEND the Board of Directors:

A. Ensure any monies due the district are aggressively pursued in the future.

B. Ensure the expenses related to any travel advances are fully and adequately accounted for and any remaining funds are returned to the district.

AUDITEE'S RESPONSE

A. The Board of Directors concurs with the recommendation; however, those members who were on the board at the time believe adequate efforts were made to recover the deposit. Such efforts will be documented better in the future.

B. The Board of Directors concurs.

5. Lease Purchase Agreements

In March 1990, the board entered into a lease-purchase agreement for the fire station building. The agreement essentially served to provide $55,000 in financing to construct the building. The agreement provided for annual lease terms, renewable for up to a maximum of twenty years. Similarly, in March 1997, the board entered into a lease-purchase agreement for three vehicles, including a newly acquired fire truck. This agreement provided $158,502 in financing, with annual lease terms renewable for up to a maximum period of ten years.

While these lease purchase agreements contain provisions allowing the board to cancel the respective leases annually, each of the agreements requires the district to pay a significant termination fee if the district terminates the lease prior to the purchase of the property. If the board had terminated the leases at December 31, 1998, the termination fees on the building and vehicle leases would have been $38,350 and $98,797, respectively. In comparison, the principal balance on the two leases totaled $175,671, at that date. Considering the extent of the termination fees, it is apparent the termination provisions would not ever be exercised. It appears the board has effectively entered into long-term debt without a vote of the district's taxpayers.

Article VI, Section 26(a) of the Missouri Constitution provides that no political subdivision of the state shall become indebted in an amount exceeding in any year the income and revenue provided for such a year plus any unencumbered balances from previous years. Article VI, Section 26(b) of the Missouri Constitution allows political subdivisions to incur debt by bond issue, but only after approval of two-thirds of the qualified voters of that political subdivision.

It is not uncommon for political subdivisions in the state to acquire buildings and equipment through lease purchase arrangements. However, the termination fee provisions of these two agreements are not common provisions in agreements of this nature and appear to effectively eliminate the district's ability to terminate the agreements.

WE RECOMMEND the Board of Directors consider the constitutional debt restrictions when entering into any future lease purchase agreements. Any such agreement should be structured to provide a annual termination clause that is not effectively voided by another provision(s) of the agreement.

AUDITEE'S RESPONSE

The Board of Directors concurs.

6. Budgetary Practices And Financial Reporting

A. It appears that the board has not periodically compared actual expenditures to amounts budgeted. As a result, during the years ended December 31, 1998 and 1997, the board approved expenditures of $8,412 and $3,256, respectively, in excess of budgeted amounts. The board did not amend the district's budgets for these excess expenditures.

Section 67.040, RSMo 1994, requires the board to keep expenditures within the budgetary limits unless the board adopts a resolution setting forth the facts and reasons for the excess expenditures. In addition, for the Board of Directors to have an accurate assessment of the district's financial activity, and to allow for timely adjustment to budgets or anticipated activities, the board should periodically review the actual revenues and expenditures and compare them with budgeted amounts.

A similar condition was reported by the fire protection district's independent auditors.

B. The budgets approved by the board do not include all required and necessary information as follows:

1) The district budgets do not include a budget message, the beginning cash balance or the projected ending cash balance for district funds.

2) The budgets do not include a comparative statement of actual or estimated receipts and disbursements for the two previous years. Amounts for the two previous years provide comparative information to help evaluate the reasonableness of the budget estimates for the upcoming year.

Section 67.010, RSMo 1994, requires each political subdivision of the state to prepare an annual budget with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditures estimations by classification, and include the beginning available resources and reasonable estimates of the ending available resources of all funds. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

C. Section 105.145, RSMo 1994, requires the district to file a financial report with the State Auditor's office annually. The district did not file an annual financial report with the State Auditor's office for the year ended December 31, 1996. The financial report is to be filed within four months after the end of the district's fiscal year (the requirement is six months

after the end of the fiscal year if an audit report prepared by a certified public accountant (CPA) is filed).

The district should ensure annual financial reports are filed with the State Auditor's office in accordance with Section 105.145, RSMo 1994.

WE RECOMMEND the Board of Directors:

A. Periodically compare actual revenues and expenditures with budgeted amounts and ensure actual expenditures are kept within budgetary limits. If it appears expenditures are going to exceed budgeted amounts, a budget revision should be properly adopted by resolution.

B. Ensure the annual budgets contain all required and necessary information, including a budget message, the beginning and projected ending cash balances, and a comparative statement of actual receipts and disbursements for the two previous years.

C. Ensure annual financial reports are filed with the State Auditor's office as required and that such reports are filed within four months after the end of the district's fiscal year (or six months after the end of the fiscal year if a CPA audit report is filed).

AUDITEE'S RESPONSE

A-C. The Board of Directors concurs.

7. Accounting Controls and Procedures

During our review of the board's accounting procedures the following concerns were noted:

A. The fire protection district has not hired an employee to handle its accounting records, but instead has contracted with a private accountant for those services. This accountant's duties include recording and depositing receipts, preparing checks, recording disbursements, and reconciling the bank accounts. The district performs no independent review or oversight related to the records or duties of this accountant.
In addition, prior to April 1999, this accountant served as the only signatory on all district checks, with no board co-signature required. This weakness was reported to the board by its independent auditor in March 1999, and subsequently the board began signing all checks and making all deposits.

To safeguard against possible loss or misuse of funds, the Board of Directors should consider performing an independent review of the bank statements, bank reconciliations, and other accounting records maintained by the private accountant on a periodic basis.

In addition, the board should continue to ensure all checks are signed by a designated member(s) of the board.

B. Although there was reference in the board minutes to a few specific invoices being approved for payment, the board did not adequately document its approval of all expenditures made by the district. Invoices for bills were retained in the files, but these invoices are not signed or initialed by the board members, and a supplementary listing of all disbursements approved for payment by the board was not prepared to accompany the minutes. In addition, we noted one instance where an expenditure was approved after the disbursement had been made.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes. In addition, all district disbursements should be approved before they are incurred.

This condition was similarly noted by the fire protection district's independent auditors.

C. Various problems were noted regarding the issuance of district checks and the check register maintained by the private accountant as follows:

1) We noted that a number of check numbers were skipped. While we were able to account for some of these check numbers, we were unable to do so for others.

2) Some check numbers were recorded in the check register more than once.

3) Checks were not always recorded in the check register in numerical order.

4) The check register did not always accurately identify the purpose of the payment.

5) Information included on the check register did not always agree to the checks issued.

To adequately account for all disbursements, the board should ensure the check register is accurately maintained. Check numbers should be recorded only once, recorded in order, and their numerical sequence should be accounted for properly. In addition, to properly account for the expenditure of district monies, the check register should accurately identify the purpose of each payment, and information included in the check register should be agreed to checks written.

D. The board does not retain all voided checks. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

E. According to the board meeting minutes, a financial report was unavailable at several board meetings. A financial report should be available to the board at all meetings to ensure that board members have current information available when making decisions that impact the district's financial condition.

This condition was similarly reported by the fire protection district's independent auditors.

WE RECOMMEND the Board of Directors:

A. Consider performing a periodic independent review of the bank statements, bank reconciliations, and other records maintained by the private accountant. In addition, the board should continue to ensure that all checks are signed by a designated member(s) of the board.

B. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes and ensure that all expenditures are approved by the board before they are paid.

C. Ensure the check register of the district is adequately maintained. Check numbers should be accurately posted and the numerical sequence of check numbers should be accounted for properly. In addition, the check register should accurately identify the purpose of each expenditure and agree with the checks written.

D. Ensure all voided checks are mutilated and retained.

E. Ensure that a current financial report is available at all board meetings.

AUDITEE'S RESPONSE

A&D. The Board of Directors concurs.

B&E. The Board of Directors concurs and indicated these recommendations have already been implemented.

C. The Board of Directors indicated it would discuss this recommendation with its accountant.

This report is intended for the information of the fire protection district's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

DUNKLIN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-95
October 6, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Dunklin, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Dunklin County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< Numerous inaccuracies were noted in the information presented in the county's budget documents for 1998 and 1997. County records were such that some financial activity was not able to be classified. Beginning cash balances were incorrect and actual receipts and disbursements did not agree to the County Treasurer's fund ledger. The County Clerk maintains an account book with the County Treasurer for county funds; however, the account book is not properly reconciled to the County Treasurer's records. In addition, formal budgets were not prepared for various county funds and actual disbursements exceeded budget amounts in several funds.

< During 1998, County Treasurer funds were erroneously deposited into the Ex Officio County Collector's bank account. Because the County Treasurer/Ex Officio County Collector did not reconcile the Treasurer's fund ledgers to bank balances and did not reconcile Ex Officio Collector bank balances to the related liabilities, these errors were not detected in a timely manner and were not fully corrected. At December 31, 1998, County Treasurer funds totaling approximately $147,000 remained in the County Collector's bank account. In addition, the Treasurer's semi-annual settlements and the Ex Officio Collector's annual settlements were not delivered to the County Commission in a timely manner.

< During the year ended December 31, 1997, Dunklin County was designated as the grant recipient for a Community Development Block Grant which was passed through to the Public Water District #1. The county did not properly monitor this grant.

(over)

< The county does not have a procedure in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The county's SEFA contained numerous errors and omissions. An accurate SEFA is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.

The report also included recommendations for improvements related to general fixed asset records, computer controls, personnel policies and procedures, and board of prisoners.

Also included in the audit are recommendations to improve the accounting controls and procedures for the County Health Center, Circuit Clerk, Prosecuting Attorney, County Clerk, Probate Division, Assessor, Recorder of Deeds, and Sheriff.

Copies of the audit are available upon request.

DUNKLIN COUNTY, MISSOURI

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(over)

< The county does not have a procedure in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The county's SEFA contained numerous errors and omissions. An accurate SEFA is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.

The report also included recommendations for improvements related to general fixed asset records, computer controls, personnel policies and procedures, and board of prisoners.

Also included in the audit are recommendations to improve the accounting controls and procedures for the County Health Center, Circuit Clerk, Prosecuting Attorney, County Clerk, Probate Division, Assessor, Recorder of Deeds, and Sheriff.

Copies of the audit are available upon request.

FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Dunklin County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth and fifth paragraphs, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Dunklin County.

The records of receipts and disbursements maintained by the County Treasurer indicated actual receipts and disbursements in excess of the amounts reported by the County Clerk on the budget documents. As a result, we were unable to satisfy ourselves with respect to proper classification of receipts and disbursements reported in various funds. A significant portion of receipts and disbursements are presented as unclassified in the accompanying financial statements.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain

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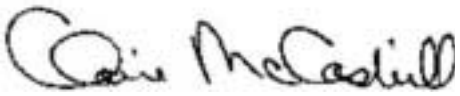
matters regarding the year 2000 issue. Dunklin County has included such disclosures in Note 3. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 3. Further, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In our opinion, except for the effects, if any, on the financial statements of the matter discussed in the fourth paragraph, and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 3, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Dunklin County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 3, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the special-purpose financial statements of various funds of Dunklin County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 3, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Dunklin County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 through 98-3. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Dunklin County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial

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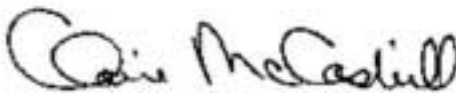
reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 through 98-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 98-1 through 98-3 to be material weaknesses. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Dunklin County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 3, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	726,049	2,549,869	2,352,250	923,668
Special Road and Bridge		871,797	801,849	825,864	847,782
Assessment		-6,498	185,073	163,179	15,396
Law Enforcement Training		19,810	4,912	4,916	19,806
Prosecuting Attorney Training		737	1,812	1,692	857
Health Center		393,174	680,653	697,972	375,855
Senate Bill 40 Board		409,763	188,753	240,242	358,274
Johnson Grass		82,537	6,187	11,217	77,507
Recorder's User Fees		31,347	15,596	7,854	39,089
Victims of Domestic Violence		2,570	1,275	2,400	1,445
Prosecuting Attorney Bad Check		26,313	28,861	24,800	30,374
Hazardous Training		1,264	0	0	1,264
Criminal Investigation		33,916	25,449	46,530	12,835
Local Records		7,719	2,310	10,042	-13
Juvenile Diversion Grant I		8,209	75,621	60,627	23,203
Juvenile Diversion Grant II		0	14,520	12,364	2,156
Emergency 911		122,915	60,359	78,901	104,373
Drainage Districts		86,791	2,610	7,622	81,779
Crime Victims Compensation		18,184	958	0	19,142
Circuit Clerk Division I Salary		18	0	0	18
Circuit Clerk Division II Salary		4	0	0	4
Prosecuting Attorney Delinquent Tax		1,531	2,159	1,514	2,176
Sheriff's Civil Fees		8,261	32,064	0	40,325
Law Library		6,757	8,668	4,506	10,919
Associate Circuit Division Interest		1,318	1,779	2,237	860
Circuit Division Interest		4,520	3,969	5,620	2,869
Probate Division Interest		275	26	0	301
Sheriff's Equipment Grant		0	3,492	3,473	19
Homeless Challenge Grant		9,387	12,500	21,887	0
Home Study		0	5,800	5,800	0
Chemical Emergency		0	4,623	4,623	0
Off-System Bridge		0	2,069	1,459	610
Capital Improvement		0	104,378	0	104,378
Total	$	2,868,668	4,828,194	4,599,591	3,097,271

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,208,930	1,503,304	1,986,185	726,049
Special Road and Bridge		804,308	811,819	744,330	871,797
Assessment		15	184,930	191,443	-6,498
Law Enforcement Training		17,764	5,097	3,051	19,810
Prosecuting Attorney Training		1,676	2,336	3,275	737
Health Center		379,104	610,454	596,384	393,174
Senate Bill 40 Board		399,476	202,299	192,012	409,763
Johnson Grass		89,286	7,116	13,865	82,537
Recorder's User Fees		26,234	12,735	7,622	31,347
Victims of Domestic Violence		2,475	1,595	1,500	2,570
Prosecuting Attorney Bad Check		14,497	25,875	14,059	26,313
Hazardous Training		1,797	0	533	1,264
Criminal Investigation		15,141	42,154	23,379	33,916
Local Records		363	12,673	5,317	7,719
Juvenile Diversion Grant I		0	20,731	12,522	8,209
Emergency 911		96,300	61,207	34,592	122,915
Drainage Districts		85,755	2,946	1,910	86,791
Crime Victims Compensation		16,067	2,117	0	18,184
Circuit Clerk Division I Salary		18	0	0	18
Circuit Clerk Division II Salary		4	0	0	4
Prosecuting Attorney Delinquent Tax		1,077	454	0	1,531
Sheriff's Civil Fees		0	8,261	0	8,261
Law Library		2,532	8,799	4,574	6,757
Associate Circuit Division Interest		738	1,180	600	1,318
Circuit Division Interest		3,245	3,855	2,580	4,520
Probate Division Interest		127	148	0	275
Homeless Challenge Grant		0	15,000	5,613	9,387
Emergency Shelter Grant		3,253	5,290	8,543	0
Total	$	3,170,182	3,552,375	3,853,889	2,868,668

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 490,000	513,228	23,228	477,000	523,156	46,156
Sales taxes	1,025,627	1,061,492	35,865	0	0	0
Intergovernmental	780,161	271,527	-508,634	666,607	255,358	-411,249
Charges for services	391,900	394,916	3,016	374,000	383,091	9,091
Interest	2,000	15,177	13,177	1,500	58,158	56,658
Other	113,396	141,726	28,330	81,000	88,212	7,212
Transfers in	76,153	46,308	-29,845	80,000	57,974	-22,026
Unclassified	0	105,495	105,495	0	137,355	137,355
Total Receipts	2,879,237	2,549,869	#VALUE!	1,680,107	1,503,304	#VALUE!
DISBURSEMENTS						
County Commission	246,604	208,858	37,746	139,661	170,005	-30,344
County Clerk	124,238	123,648	590	113,767	132,635	-18,868
Elections	77,959	61,648	16,311	38,000	40,437	-2,437
Buildings and grounds	117,860	139,992	-22,132	141,158	118,166	22,992
Employee fringe benefits	233,200	193,716	39,484	237,357	207,855	29,502
County Treasurer & Ex-Officio Collector	76,354	73,857	2,497	80,528	80,774	-246
Recorder of Deeds	80,010	79,750	260	76,254	74,257	1,997
Circuit Clerk	31,200	34,248	-3,048	17,011	21,927	-4,916
Associate Circuit Court	12,646	11,978	668	7,405	7,830	-425
Associate Circuit (Probate)	19,849	29,106	-9,257	9,344	15,207	-5,863
Court administration	18,593	8,102	10,491	15,700	4,991	10,709
Public Administrator	5,200	3,385	1,815	7,217	6,392	825
Other general county government	0	0	0	50,665	0	50,665
Civil defense	14,040	11,167	2,873	12,100	9,607	2,493
Sheriff	378,464	376,649	1,815	421,825	352,746	69,079
Jail	261,509	252,285	9,224	213,550	224,829	-11,279
Prosecuting Attorney	150,625	152,900	-2,275	139,975	143,130	-3,155
Juvenile Officer	149,222	160,677	-11,455	112,341	142,124	-29,783
County Coroner	25,350	21,792	3,558	21,500	20,482	1,018
Paternity	93,937	88,258	5,679	96,856	90,049	6,807
Transfers out	175,000	104,349	70,651	250,000	84,000	166,000
Emergency fund	80,971	0	80,971	0	0	0
Unclassified	0	215,885	-215,885	0	38,742	-38,742
Total Disbursements	2,372,831	2,352,250	20,581	2,202,214	1,986,185	216,029
RECEIPTS OVER (UNDER) DISBURSEMENTS	506,406	197,619	#VALUE!	-522,107	-482,881	#VALUE!
CASH, JANUARY 1	-1,786	726,049	727,835	1,311,260	1,208,930	-102,330
CASH, DECEMBER 31	$ 504,620	923,668	#VALUE!	789,153	726,049	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	773,141	780,595	7,454	785,000	774,566	-10,434
Charges for services	903	0	-903	0	5,269	5,269
Interest	25,000	21,254	-3,746	20,000	31,984	11,984
Total Receipts	799,044	801,849	2,805	805,000	811,819	6,819
DISBURSEMENTS						
Road and bridge materials	10,000	2,854	7,146	0	0	0
Construction, repair, and maintenance	796,564	795,643	921	705,179	720,201	-15,022
Other	32,000	0	32,000	25,000	0	25,000
Transfers out	25,934	26,154	-220	0	24,129	-24,129
Unclassified	0	1,213	-1,213	0	0	0
Total Disbursements	864,498	825,864	38,634	730,179	744,330	-14,151
RECEIPTS OVER (UNDER) DISBURSEMENTS	-65,454	-24,015	41,439	74,821	67,489	-7,332
CASH, JANUARY 1	871,797	871,797	0	804,308	804,308	0
CASH, DECEMBER 31 $	806,343	847,782	41,439	879,129	871,797	-7,332

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 95,000	184,436	89,436	100,000	99,801	-199
Charges for services	0	0	0	1,000	0	-1,000
Other	500	637	137	1,550	1,129	-421
Transfers in	176,000	0	-176,000	150,000	84,000	-66,000
Total Receipts	271,500	185,073	-86,427	252,550	184,930	-67,620
DISBURSEMENTS						
Assessor	264,661	198,019	66,642	248,385	214,478	33,907
Unclassified	0	-34,840	34,840	0	-23,035	23,035
Total Disbursements	264,661	163,179	101,482	248,385	191,443	56,942
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,839	21,894	15,055	4,165	-6,513	-10,678
CASH, JANUARY 1	-6,498	-6,498	0	15	15	0
CASH, DECEMBER 31	$ 341	15,396	15,055	4,180	-6,498	-10,678

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	0	0	0	0	1,162	1,162
Charges for services	$ 4,100	4,717	617	3,500	3,652	152
Interest	0	195	195	300	283	-17
Total Receipts	4,100	4,912	812	3,800	5,097	1,297
DISBURSEMENTS						
Sheriff	9,000	5,589	3,411	11,600	2,951	8,649
Unclassified	0	-673	673	0	100	-100
Total Disbursements	9,000	4,916	4,084	11,600	3,051	8,549
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,900	-4	4,896	-7,800	2,046	9,846
CASH, JANUARY 1	9,450	19,810	10,360	17,744	17,764	20
CASH, DECEMBER 31	$ 4,550	19,806	15,256	9,944	19,810	9,866

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,550	1,812	-738	2,750	2,336	-414
Total Receipts	2,550	1,812	-738	2,750	2,336	-414
DISBURSEMENTS						
Prosecuting Attorney	3,275	1,692	1,583	2,625	3,275	-650
Total Disbursements	3,275	1,692	1,583	2,625	3,275	-650
RECEIPTS OVER (UNDER) DISBURSEMENTS	-725	120	845	125	-939	-1,064
CASH, JANUARY 1	737	737	0	1,676	1,676	0
CASH, DECEMBER 31	$ 12	857	845	1,801	737	-1,064

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 204,035	222,038	18,003	204,035	184,172	-19,863
Intergovernmental	380,000	399,765	19,765	307,500	378,747	71,247
Charges for services	30,000	34,094	4,094	40,000	25,799	-14,201
Interest	17,000	22,705	5,705	16,000	16,707	707
Other	6,000	2,051	-3,949	32,000	5,029	-26,971
Total Receipts	637,035	680,653	43,618	599,535	610,454	10,919
DISBURSEMENTS						
Salaries	425,000	523,228	-98,228	365,000	423,131	-58,131
Office expenditures	45,000	15,420	29,580	115,000	34,895	80,105
Equipment	50,000	73,412	-23,412	100,000	45,886	54,114
Mileage and training	24,000	18,914	5,086	21,000	20,004	996
Contract services	28,000	13,368	14,632	0	24,146	-24,146
Janitorial/maintenance	16,000	10,734	5,266	0	12,303	-12,303
Rent	14,000	8,789	5,211	0	8,700	-8,700
Utilities	9,000	7,946	1,054	0	7,789	-7,789
Other	250,000	13,734	236,266	225,000	16,696	208,304
Unclassified	0	12,427	-12,427	0	2,834	-2,834
Total Disbursements	861,000	697,972	163,028	826,000	596,384	229,616
RECEIPTS OVER (UNDER) DISBURSEMENTS	-223,965	-17,319	206,646	-226,465	14,070	240,535
CASH, JANUARY 1	360,038	393,174	33,136	369,659	379,104	9,445
CASH, DECEMBER 31	$ 136,073	375,855	239,782	143,194	393,174	249,980

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 155,000	176,670	21,670	167,901	181,861	13,960
Intergovernmental	0	2,088	2,088	0	2,264	2,264
Interest	16,000	9,995	-6,005	16,000	18,174	2,174
Total Receipts	171,000	188,753	17,753	183,901	202,299	18,398
DISBURSEMENTS						
Cotton Boll Shelter Workshop	156,964	132,997	23,967	155,261	126,913	28,348
Other agencies	107,245	107,245	0	65,300	65,300	0
Unclassified	0	0	0	0	-201	201
Total Disbursements	264,209	240,242	23,967	220,561	192,012	28,549
RECEIPTS OVER (UNDER) DISBURSEMENTS	-93,209	-51,489	41,720	-36,660	10,287	46,947
CASH, JANUARY 1	408,850	409,763	913	399,679	399,476	-203
CASH, DECEMBER 31	$ 315,641	358,274	42,633	363,019	409,763	46,744

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHNSON GRASS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 1,000	2,061	1,061	6,000	2,968	-3,032
Intergovernmental	19,000	0	-19,000	2,000	0	-2,000
Interest	4,000	4,126	126	100	4,148	4,048
Other	0	0	0	25,000	0	-25,000
Total Receipts	24,000	6,187	-17,813	33,100	7,116	-25,984
DISBURSEMENTS						
Chemicals and spraying	25,000	11,108	13,892	25,000	13,837	11,163
Office expense	100	109	-9	100	28	72
Total Disbursements	25,100	11,217	13,883	25,100	13,865	11,235
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,100	-5,030	-3,930	8,000	-6,749	-14,749
CASH, JANUARY 1	10,109	82,537	72,428	89,286	89,286	0
CASH, DECEMBER 31	$ 9,009	77,507	68,498	97,286	82,537	-14,749

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 11,500	14,262	2,762	11,800	11,858	58
Interest	0	1,334	1,334	0	877	877
Transfers in	20,000	0	-20,000	0	0	0
Total Receipts	31,500	15,596	-15,904	11,800	12,735	935
DISBURSEMENTS						
Office expenditures	27,875	7,854	20,021	26,000	7,622	18,378
Total Disbursements	27,875	7,854	20,021	26,000	7,622	18,378
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,625	7,742	4,117	-14,200	5,113	19,313
CASH, JANUARY 1	2,530	31,347	28,817	26,234	26,234	0
CASH, DECEMBER 31	$ 6,155	39,089	32,934	12,034	31,347	19,313

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VICTIMS OF DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,600	1,275	-325	2,400	1,595	-805
Total Receipts	1,600	1,275	-325	2,400	1,595	-805
DISBURSEMENTS						
Domestic violence shelter	2,400	2,400	0	1,200	1,500	-300
Total Disbursements	2,400	2,400	0	1,200	1,500	-300
RECEIPTS OVER (UNDER) DISBURSEMENTS	-800	-1,125	-325	1,200	95	-1,105
CASH, JANUARY 1	2,570	2,570	0	2,475	2,475	0
CASH, DECEMBER 31	$ 1,770	1,445	-325	3,675	2,570	-1,105

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HAZARDOUS TRAINING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 500	0	-500
Total Receipts	500	0	-500
DISBURSEMENTS			
Other	1,000	0	1,000
Total Disbursements	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-500	0	500
CASH, JANUARY 1	1,264	1,264	0
CASH, DECEMBER 31	$ 764	1,264	500

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIMINAL INVESTIGATION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 50,000	22,614	-27,386
Interest	0	350	350
Other	0	2,485	2,485
Total Receipts	50,000	25,449	-24,551
DISBURSEMENTS			
Law enforcement	42,648	46,530	-3,882
Total Disbursements	42,648	46,530	-3,882
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,352	-21,081	-28,433
CASH, JANUARY 1	19,191	33,916	14,725
CASH, DECEMBER 31	$ 26,543	12,835	-13,708

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL RECORDS FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 15,300	2,310	-12,990
Total Receipts	15,300	2,310	-12,990
DISBURSEMENTS			
Salaries	1,500	1,291	209
Office expenditures	1,432	518	914
Equipment and repairs	1,000	0	1,000
Mileage and training	1,200	0	1,200
Rent	1,800	878	922
Microfilming	1,513	7,355	-5,842
Total Disbursements	8,445	10,042	-1,597
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,855	-7,732	-14,587
CASH, JANUARY 1	0	7,719	7,719
CASH, DECEMBER 31	$ 6,855	-13	-6,868

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JUVENILE DIVERSION GRANT I FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 60,474	67,174	6,700
Other	0	4,447	4,447
Transfers in	0	4,000	4,000
Total Receipts	60,474	75,621	15,147
DISBURSEMENTS			
Salaries	51,500	35,770	15,730
Office expenditures	670	892	-222
Mileage and training	8,304	561	7,743
Juvenile services	0	10,040	-10,040
Other	0	510	-510
Transfers out	0	12,854	-12,854
Total Disbursements	60,474	60,627	-153
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	14,994	14,994
CASH, JANUARY 1	9,579	8,209	-1,370
CASH, DECEMBER 31	$ 9,579	23,203	13,624

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 57,000	57,151	151
Interest	0	3,208	3,208
Total Receipts	57,000	60,359	3,359
DISBURSEMENTS			
Salaries	21,450	40,325	-18,875
Office expenditures	7,975	10,065	-2,090
Equipment	14,500	28,502	-14,002
Mileage and training	500	110	390
Other	691	0	691
Unclassified	0	-101	101
Total Disbursements	45,116	78,901	-33,785
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,884	-18,542	-30,426
CASH, JANUARY 1	1,507	122,915	121,408
CASH, DECEMBER 31	$ 13,391	104,373	90,982

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Johnson Grass Fund. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Drainage Districts Funds	1998 and 1997
Crime Victims Compensation Fund	1998 and 1997
Circuit Clerk Division I Salary Fund	1998 and 1997
Circuit Clerk Division II Salary Fund	1998 and 1997
Prosecuting Attorney Delinquent Tax Fund	1998 and 1997
Sheriff's Civil Fees Fund	1998 and 1997
Law Library Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Division Interest Fund	1998 and 1997

Probate Division Interest Fund	1998 and 1997
Homeless Challenge Grant Fund	1998 and 1997
Home Study Fund	1998
Chemical Emergency Fund	1998
Off-System Bridge Fund	1998
Sheriff's Equipment Grant Fund	1998
Capital Improvement Fund	1998
Juvenile Diversion Grant II Fund	1998
Prosecuting Attorney Bad Check Fund	1997
Hazardous Training Fund	1997
Criminal Investigation Fund	1997
Local Records Fund	1997
Juvenile Diversion Grant I Fund	1997
Emergency 911 Fund	1997
Emergency Shelter Grant Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Bad Check Fund	1998
Criminal Investigation Fund	1998
Local Records Fund	1998
Juvenile Diversion Grant I Fund	1998
Emergency 911 Fund	1998
Special Road and Bridge Fund	1997
Prosecuting Attorney Training Fund	1997
Victims of Domestic Violence Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	1997
Circuit Division Interest Fund	1997
Associate Circuit Division Interest Fund	1997
Probate Division Interest Fund	1997

As of June 3, 1999, the county had not published its financial statement for 1998.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and Health Center Board's deposits at December 31, 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's or the Health Center Board's custodial bank in the county's or the Health Center Board's name.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1997, $3,371,248 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and $220,876 was covered by collateral pledged by one bank and held in the county's name by an affiliate of the same bank holding company.

Of the Health Center Board's bank balance at December 31, 1997, $338,284 was covered by federal depositary insurance or by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name, $12,829 was covered by collateral pledged by one bank and held in the Health Center Board's name by an affiliate of the same bank holding company, and $45,404 was uninsured and uncollateralized.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Year 2000 Compliance

Dunklin County has replaced all mainframe and micro computing devices with Pentium II 300mhz or higher components. Year 2000-compliant software, namely Quick Books Pro version 6.0, replaced older software. Network components have been upgraded to Cat 100mips devices. Year 2000-compliant drivers for printers and other devices have been obtained from the appropriate vendors. All efforts to ensure our financial systems are year 2000-compliant were completed before April 1, 1999. Operating systems include Windows 95, Windows 98, Windows NT Workstation, Windows NT server 4.0, MS-Office 97, MS-Visual Basic version 5.0, and SQL-Server version 6.5. Microsoft has certified that each of these products is year 2000-compliant.

Supplementary Schedule

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.550	Food Distribution	IN-035-010(B)	$ 0	577
	Department of Health -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9134	173,438	164,730
10.559	Summer Food Service Program for Children	ERO146-98-134SFSP	1,485	1,060
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
	Office of Administration -			
12.112	Payments to States in Lieu of Real Estate Taxes	N/A	750	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.228	Community Development Block Grant/State's Program	95PF012	0	135,251
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	Missouri State Highway Patrol-			
16.554	National Criminal History Improvement Program	N/A	2,593	0
	Passed through:			
	State Department of Public Safety -			
16.592	Local Law Enforcement Block Grants Program	N/A	3,143	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,110	1,000
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.205	Off-System Bridge Replacement and Rehabilitation Program	BRO-035(16)	2,069	0
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance	EMK-98-PA-0003	5,734	4,551
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Social Services -			
	Division of Aging -			
93.043	Special Programs for the Aging-Title III, Part F- Disease Prevention and Health Promotion Services	N/A	1,440	518
	Department of Health -			
93.197	Childhood Lead Poisoning Prevention	ERO146-9-9134 CLPP	50	0
93.268	Immunization Grants	PG0064-9134 IAP	8,350	4,025

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		Department of Social Services -			
	93.563	Child Support Enforcement	N/A	77,409	77,846
	93.575	Child Care and Development Block Grant			
		Nursing Consultation to Child Care Facility	ERO146-8134	0	1,639
		Local Sanitation Inspection	PG0067-9134	2,710	1,075
		Program Total		2,710	2,714
		Division of Youth Services -			
	93.667	Social Service Block Grant	ERO172117	35,480	1,480
		Juvenile Court Diversion Program			
		Department of Health -			
93.unknown		Homeless Challenge Program Community	AOC7000313	6,700	20,800
		Development Block Grant			
	93.919	Cooperative Agreements for State-Based	N/A	290	0
		Comprehensive Breast and Cervical Cancer			
		Early Detection Programs			
	93.994	Maternal and Child Health Services	ERO146-7134	68,661	39,605
		Block Grant to the States			
		Total Expenditures of Federal Awards		$ 391,412	454,157

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

DUNKLIN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Dunklin County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the National Criminal History Improvement Program (CFDA number 16.554) represent the dollar value assigned to the property loaned to the county based on prices provided by the Missouri State Highway Patrol.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $135,251 to a subrecipient under the Community Development Block Grant /State's Program (CFDA number 14.228) during the year ended December 31, 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Dunklin County, Missouri

Compliance

We have audited the compliance of Dunklin County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Dunklin County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

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with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-4 and 98-5.

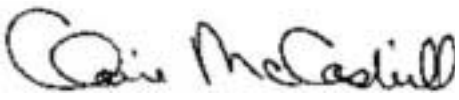
Internal Control Over Compliance

The management of Dunklin County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-4 and 98-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Dunklin County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 3, 1999 (fieldwork completion date)

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weaknesses identified?	x yes	no
Reportable conditions identified that are not considered to be material weaknesses?	yes	x none reported
Noncompliance material to the financial statements noted?	x yes	no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	yes	x no
Reportable conditions identified that are not considered to be material weaknesses?	x yes	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	x yes	no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

14.228 Community Development Block Grant/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Reconciliation of County Records

The County Clerk maintains an account book with the County Treasurer for county funds; however, the account book is not properly reconciled to the County Treasurer's records. Receipts are recorded by the County Clerk per the Treasurer's receipt slips and disbursements are recorded in a lump sum two times a year per the Treasurer's semi-annual settlement. Because disbursements are not recorded as they occur, the County Clerk's account book is not an up-to-date record of disbursements and cannot be reconciled to the County Treasurer's records in a timely manner. An independent record of county receipts and disbursements should be reconciled to the Treasurer's records so errors and omissions can be detected and corrected in a timely manner.

Section 51.150.1, RSMo 1994, requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check-and-balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile their accounting records.

WE RECOMMEND the County Clerk maintain an accurate and up-to-date account book for all county funds. Accounting records of the County Clerk and the County Treasurer should be periodically reconciled and all reconciling items documented.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated that they are to receive the County Treasurer's semi-annual settlement for the six months ended June 30, 1999 in October 1999. After this settlement has been received, the County Clerk's Office is going to reconcile with the County Treasurer every month and maintain documentation of the reconciliation in the County Commission minute book.

98-2. Budgetary Practices

The County Clerk and County Commission are responsible for preparing and approving a county budget which serves as a complete financial plan for the county. Numerous inaccuracies were noted in the information presented in the county's budget documents for 1998 and 1997. Examples of these errors included the following:

- Beginning cash balances were incorrect for nine of the sixteen (56 percent) budgets presented. Some of the larger differences noted are as follows:

Year	Fund	Presented In Budget	Actual	Difference
1998	General Revenue	$ (1,786)	726,049	727,835
1997	General Revenue	1,311,260	1,208,930	(102,330)
1998	Law Enforcement Training	9,450	19,810	10,360
1998	Johnson Grass	10,109	82,537	72,428
1998	Recorder's User Fees	2,530	31,347	28,817
1998	Criminal Investigation	19,191	33,916	14,725
1998	Emergency 911	1,507	122,915	121,408
1998	Prosecuting Attorney Bad Checl	0	26,313	26,313
1998	Health Center	360,038	393,174	33,136
1997	Health Center	369,659	379,104	9,445

Many of the differences between beginning cash balances presented in county budgets and actual beginning cash balances are attributable to investments. The County Clerk and/or the County Commission did not include the investments of some funds when reporting cash balances in the budgets.

- Amounts for estimated receipts and disbursements were not reasonable for numerous funds. For example, the County Commission approved estimated intergovernmental receipts of $780,161 and $666,607 for 1998 and 1997, while actual intergovernmental receipts were $271,527 and $255,358, respectively. Thus, intergovernmental receipts were overestimated by $508,634 and $411,249, for 1998 and 1997, respectively.

- Some transfers between funds were not properly reported in the actual receipts and disbursements of the budgeted funds. For example, the 1999 General Revenue Fund budget reported a transfer in of $41,547 from the Special Election Fund during 1998; however, this transfer did not occur. In addition, other transfers were made and not reported in the budgets.

- The county's budgets contained numerous misclassifications of actual receipts and disbursements. Some receipts from the state were incorrectly recorded as other revenues, interest income was incorrectly recorded as a transfer in, and charges for services were incorrectly recorded as receipts from the state. Adjustments have been made to the audited financial statements to correct these misclassifications.

  The county's budgets should include accurate classifications of receipts and disbursements to ensure the county's financial information is more consistently presented, to properly identify receipt and disbursement items, and to increase the effectiveness of the budgets as management tools.

- Actual receipts and disbursements presented in thirteen of the fourteen funds budgeted and approved by the County Commission were inaccurate. Actual receipts and disbursements presented in the budgets did not agree to the County Treasurer's fund ledger. For example, the 1999 budget for the Hazardous Training Fund incorrectly included 1998 receipts and disbursements of the Chemical Emergency Fund in the amount of $4,623. The County Clerk used computer generated reports to prepare the budget; however, these reports were not compared or reconciled to the Treasurer's records. In addition, the County Clerk could not provide us with supporting documents used to prepare the county's budgets.

  Actual receipts and disbursements presented in the budget for the General Revenue Fund, the Assessment Fund and the Prosecuting Attorney Bad Check Fund were materially misstated. For example, the material differences noted between the County Treasurer's General Revenue Fund ledger and the General Revenue Fund budget are as follows:

	Budget	Treasurer Fund Ledger	Budget Over (Under) Stated
1998 Receipts:			
Family Services Reimbursement	$ 76,738	97,729	(20,991)
Criminal Cost	118,343	0	118,343
Financial Institution Tax	168,451	4,087	164,364
Prosecuting Attorney Paternity	76,064	102,318	(26,254)
Child Support Fees	10,710	18,128	(7,418)
Interest Income	1,466	15,177	(13,711)
Workers Compensation Dividends	0	2,745	(2,745)
Transfer In - Special Election Fund	41,547	0	41,547
Transfer In - General Revenue Interest	56,769	0	56,769
Transfer In - Homeless Challenge Fund	0	7,300	(7,300)
Transfer In - Juvenile Diversion Grant Fund	0	12,854	(12,854)
Unidentified revenue	0	105,495	(105,495)
1998 Disbursements:			
Transfer Out - Juvenile Diversion Grant Fund	0	4,000	(4,000)
Transfer Out - Capital Improvement Fund	0	100,000	(100,000)
Unidentified disbursements	0	215,885	(215,885)

Adjustments have been made to the audited financial statements to ensure that information presented reconciles to the County Treasurer's receipt, disbursement, and cash balance totals.

In our prior report, we noted the county's budget documents contained inaccurate beginning cash balances, receipts and disbursements were misclassified and actual receipts and disbursements did not agree with the Treasurer's fund ledger. At that time, the County Clerk indicated the county had some problems with the computer system which caused the budget documents for 1996 and 1995 to be inaccurate. The County Clerk stated that the county was making changes to the computer system to more accurately present county information in the future. However, it appears these problems have not been corrected. The 1999, 1998, and 1997 budgets contained the same inaccuracies as reported in our prior report and additional inaccuracies as indicated above.

These errors could have been detected had a thorough review been performed by the County Clerk or County Commission and corrections made to ensure the budget agreed to the County Clerk's account book and the County Treasurer's fund ledgers. As a result of the errors, it was necessary to make numerous adjustments to the amounts presented in the financial statements. Considering the various errors and omissions noted, the approved budgets did not provide Dunklin County citizens with reliable information about the county's finances.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

WE RECOMMEND the County Commission and the Health Center Board of Trustees ensure the budget documents contain complete, accurate, and reasonable information about the county's finances. In addition, the County Commission and County Clerk should thoroughly review the budget documents before they are finalized and filed with the State Auditor's Office.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated they would impress upon the County Clerk and the County Treasurer to reconcile monthly and furnish documentation of the reconciliation to the County Commission. The County Commission indicated they will do the best they can with what they have to work with.

The Health Center Administrator indicated they have a new computer report that shows all revenues and expenditures and ending balances. They are now reviewing year-to-date balances monthly and will ensure that budget information is correct.

98-3. County Treasurer's Accounting Records and Procedures

Our review of the County Treasurer's records and procedures disclosed the following concerns:

A. During 1998, the County Treasurer did not perform reconciliations between the total fund ledger balances and the reconciled bank balances. The reconciled bank balance at December 31, 1998 exceeded the total fund ledger balances by approximately $2,000. The County Treasurer should work to identify the discrepancies between the reconciled bank balance and the fund ledger balances.

Complete reconciliations between the reconciled bank balances and the fund ledger balances are necessary to ensure all monies have been accounted for properly. Any discrepancies noted should be investigated and resolved on a timely basis.

B. The County Treasurer's semi-annual settlements are not delivered to the County Commission in a timely manner. As of June 3, 1999, the settlement for the six months ended December 31, 1998, had not been delivered to the commission. In addition, the settlement for the six months ended June 30, 1998, noted an unreconciled cash shortage of approximately $106,000. This shortage was not investigated by the County Treasurer until she started working on the December 31, 1998 settlement. During our review of the December 31, 1998 settlement, we determined that County Treasurer monies were held in the Ex Officio County Collector's account in error. This would appear to account for the shortage indicated at June 30, 1998. A timely, complete and accurate semi-annual settlement is necessary to keep the County Commission informed of the financial position of the county.

C. As a result of the conditions discussed in parts A and B, several inaccuracies noted in the County Treasurer's records for 1998 went undetected. Examples of these errors included the following:

- The County Treasurer/Ex Officio County Collector deposited monies in error to the Ex Officio County Collector's account in January and February 1998. At December 31, 1998, the Ex Officio County Collector's account held approximately $147,736 in county monies.

- At December 31, 1998 the County Treasurer's account held approximately $2,542 in Ex Officio County Collector monies. These monies were transferred in error to the County Treasurer's account when the Ex Officio County Collector 's money market account was closed in August 1998. These monies represent interest earned on railroad and utility collections in January 1998.

- Interest in the amount of $4,795, earned on monies held in the Ex Officio County Collector's account and subsequently transferred to a County Treasurer account, has not been recorded in the interest ledger. In addition, interest earned on county investments in the amount of $1,373, has not been posted to applicable funds.

- At December 31, 1998 the County Treasurer had not posted approximately $43,990 in disbursements to the appropriate funds. These disbursements represent outstanding checks at December 31, 1998. Disbursements are not posted in a timely manner because the County Treasurer does not post disbursements to appropriate fund ledgers until canceled checks are received from the bank. Because checks are not recorded as written, the fund ledgers do not maintain perpetual cash balances. We also noted some disbursements that were posted to the wrong fund ledger. To ensure all disbursements are accounted for properly, to avoid overspending and to identify errors in a timely manner, all disbursements should be recorded in the appropriate fund ledger as disbursed.

These errors went undetected because cash balances on the fund ledgers were not reconciled to the bank accounts in 1998, and differences noted on the semi-annual settlements were not investigated.

To ensure the accounting records are complete and accurate, the County Treasurer should maintain perpetual cash balances on fund ledgers, reconcile to the bank balances monthly, and investigate any differences noted on the semi-annual settlement in a timely manner. As a result of the above errors it was necessary to make several adjustments to the amounts presented in the financial statements.

WE RECOMMEND the County Treasurer:

A. Prepare monthly reconciliations between the fund ledger balance and the reconciled bank balances and resolve any discrepancies on a timely basis.

B. File complete and accurate semi-annual settlements with the County Commission in a timely manner and investigate and correct all differences.

C. Transfer $145,194 from the County Collector's account and make adjustments to the fund ledgers to correct the errors identified.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Treasurer indicated:

A. They are currently preparing the reconciliations for 1998. They are now working on June 1998.

B. The semi-annual settlement for the six months ended June 30, 1999 will be presented to the County Commission on October 7, 1999. We plan to complete the semi-annual settlement for the six months ended December 31, 1999 by the end of January 2000.

C. She calculated additional interest earned on these monies and on July 2, 1999, $153,323 was transferred from the County Collector's bank account to the County Treasurer's bank account. Necessary adjustments were made in the fund ledgers.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-4. Subrecipient Monitoring

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Department of Economic Development
Federal CFDA Number: 14.228
Program Title: Community Development Block Grant/State's Program
Pass-Through Entity Identifying Number: 95PF012
Award Year: 1997
Questioned Costs: Not applicable

During the year ended December 31, 1997, Dunklin County was designated as the grant recipient for a Community Development Block Grant (CDBG) which was passed through to the Public

Water Supply District #1. The grant funding received by the Public Water Supply District was received directly by the water district from the Department of Economic Development. Grant funding totaled $135,251.

Under provisions of the Single Audit Act and OMB Circular A-133, the county, as the primary grant recipient, is required to monitor any subrecipients receiving $25,000 or more in federal financial assistance for compliance with applicable laws and regulations. Although the Public Water Supply District #1 was audited annually, the county did not obtain and review copies of these audit reports. By not properly monitoring the water district, the county cannot ensure grant monies are being expended in accordance with federal requirements. As the grant recipient, the county is ultimately responsible for ensuring compliance with federal requirements.

WE RECOMMEND the County Commission properly monitor federal grant subrecipient expenditures to ensure compliance with federal regulations.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated they would monitor federal grants and would ask for and review audit reports. This recommendation will be implemented for the two new CDBG grants that were recently awarded.

98-5. Schedule of Expenditures of Federal Awards

Federal Grantor: U.S. Department of Agriculture
Pass-Through Grantor: Department of Health
Federal CFDA Number: 10.557
Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number: ERO045-9134
Award Year: 1998 and 1997
Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Department of Economic Development
Federal CFDA Number: 14.228
Program Title: Community Development Block Grant/State's Program
Pass-Through Entity Identifying Number: 95PF012
Award Year: 1997
Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The county does not have a procedure in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 1998 and 1997, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal grants were not included on the schedules. Other programs reported did not include the required pass-through grantor's number. In addition, some programs were reported incorrectly and, in total, expenditures were overstated by $74,880 and $74,403 for 1998 and 1997, respectively.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated he would prepare a complete and accurate schedule. This recommendation will be implemented for the SEFA to be submitted with the budget due in January 2000.

The Health Center Administrator indicated he would report all federal expenditures to the County Clerk.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

DUNKLIN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

3. Federal Financial Assistance

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	93.994
Program Title:	Maternal and Child Health Services Block Grant to the States
Pass-Through Entity Identifying Number:	ERO146-7134
Award Year:	1996
Questioned Costs:	$13,650

The contract governing Maternal and Child Health (MCH) grant monies specifies that the monies will be provided monthly on a cost reimbursement basis after monthly cost reports are submitted. The Health Center did not request reimbursement based on actual costs, rather invoices submitted were for a fixed amount equal to the total contractual amount divided by the number of months of the contract.

Recommendation:

The Health Center Board of Trustees work with the federal and state grantor agency to resolve the questioned costs of $13,650.

Status:

The Department of Health (DOH) conducted a review of the MCH Services Contract Monitoring Process for the time period covered by the noncompliant billing procedures. The DOH determined and summarized in its report, that although reimbursement requests were

not based on actual costs, the costs incurred and reimbursed for the entire contract period did not exceed the total contractual amount. The report said we were to bill monthly for the costs incurred that month, not a prorated amount. We currently bill for actual costs incurred.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

DUNKLIN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Dunklin County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 3, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Dunklin County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 3, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Dunklin County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Budgetary Practices and Published Financial Statements

A. Budgets were not obtained or prepared for several county funds during the two years ended December 31, 1998. While some of these particular funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions.

Chapter 50, RSMo 1994 and RSMo Cum. Supp. 1998, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission would be able to more effectively evaluate all county financial resources.

B. Actual disbursements exceeded the approved budgeted amounts in several county funds as follows:

	Years Ended December 31,	
Fund	1998	1997
Special Road & Bridge	N/A	$14,151
Prosecuting Attorney Training	N/A	650
Victims of Domestic Violence	N/A	300
Prosecuting Attorney Bad Check	$1,800	N/A
Criminal Investigation	3,882	N/A
Local Records	1,597	N/A
Emergency 911	33,785	N/A
Juvenile Diversion Grant I	153	N/A

The county apparently does not adequately monitor budgeted amounts to actual results.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and the county shall follow the same procedures required for adoption of the annual budget to amend its budgets.

C. Our review of the annual financial statements published by the county noted the following concerns:

1) As of June 3, 1999, the county had not published an annual financial statement for 1998. In addition, the 1997 annual financial statement was published on May 21,

1998. The publishing of complete and timely financial statements, besides meeting statutory requirements, will provide information to citizens as to the operations of their county government and how tax dollars are spent.

2) The annual published financial statement for 1997 did not include the financial activity of the Health Center Fund, the Circuit Division Interest Fund, the Associate Circuit Division Interest Fund, the Probate Division Interest Fund and the eight townships as required. In addition, the total receipts, total disbursements, and the beginning and ending balance for the General Revenue Fund were not presented in the recapitulation as required.

Sections 50.800 and 50.810, RSMo 1994, require annual financial statements be prepared and published in a local newspaper on or before the first Monday in March and show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds.

Conditions similar to A., B., and C.2. were also noted in our prior report. Although the County Commission and County Clerk stated they would work on these problems, it does not appear that adequate corrective action has been taken.

WE RECOMMEND the County Commission:

A. Ensure budgets are prepared or obtained for all county funds as required by statute.

B. Not authorize warrants in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.

C. And the Health Center Board of Trustees:

1) Ensure financial statements are published by the first Monday in March of each year.

2) Ensure financial information for all county funds is properly reported in the annual published financial statements in accordance with statute.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They will try to adhere to the statutes.

B. They now receive monthly reports to monitor expenditures to ensure they do not exceed the budget.

C.1. The 1998 financial statement was published on August 3, 1999. In the future, financial statements will be published more timely. The monthly reconciliations will allow accurate numbers to be available in a timely manner.

The Prosecuting Attorney indicated:

B. In the future, they will amend the budgets as needed.

The Health Center Administrator indicated:

C.2. The Health Center will publish its financial activity separate from the county.

2. County Treasurer's Accounting Controls and Procedures

Our review of the County Treasurer's records and procedures disclosed the following concerns:

A. The method of payment (cash, check, and money order) is not consistently indicated on the receipt slips. In addition, monies are not deposited intact as cash refunds are made for overpayments of fees paid by check. To ensure receipts are accounted for properly and deposited intact, the method of payment should be recorded on the receipt slips and the composition of receipt slips issued should be reconciled to the composition of deposits. Furthermore, to reduce the risk of loss or misuse of funds, all refunds should be made by check.

B. Checks and money orders are not restrictively endorsed immediately upon receipt. The endorsements are applied when deposits are prepared. To adequately safeguard assets, checks and money orders should be restrictively endorsed immediately upon receipt.

C. Accounting and bookkeeping duties are not adequately segregated. One clerk is primarily responsible for receiving, depositing and disbursing monies, and maintaining the accounting records. An independent review of deposits and accounting records is not performed. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

D. As of August 1998, all funds in the custody of the County Treasurer, with the exception of the Criminal Cost Fund and monies invested in certificates of deposit are maintained in

a NOW checking account. County funds earned approximately $62,623 in interest during the period from August to December 1998. As of June 3, 1999,these monies had not been allocated to the various funds. The County Treasurer indicated the computer programmer was working on a program that would determine the amount to be allocated to the various funds.

Section 110.150.2, RSMo Cum. Supp. 1998, and Missouri Attorney General's Opinion No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, library funds, health center funds, special road and bridge funds, assessment funds, and bond debt service funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund.

WE RECOMMEND the County Treasurer:

A. Record the method of payment on each receipt slip issued. Account for the numerical sequence and reconcile the composition of receipts to the composition of bank deposits. In addition, deposit all monies intact and write checks for refunds of overpayments.

B. Restrictively endorse checks and money orders immediately upon receipt.

C. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

D. Allocate interest on a timely basis in accordance with state statutes and Attorney General's opinions.

AUDITEE'S RESPONSE

The County Treasurer indicated:

A&B These recommendations will be implemented.

C. She is currently reconciling receipts to deposits and she is working with her clerk to reconcile the bank balance to the fund ledger balance.

D. The computer programmer is currently working on a program to disburse interest monies.

3. Flood Control Distribution

The federal government returns to the various states a percentage of ``lease-back'' payments it receives for the leasing of lands acquired by the United States government for flood control. The

states, in turn, distribute these monies to the various counties. Dunklin County has received approximately $13,588 in flood control monies since 1989 and has not distributed these monies in accordance with the statutes. These monies have been retained by the county in the General Revenue Fund.

Section 12.100, RSMo 1994, which governs the distribution of flood control monies by the County Commission states the funds shall be used to aid in maintaining the schools and roads and for defraying any of the expenses of the county in accordance with the provisions set forth in sections 12.070 and 12.080 RSMo. The County Commission is to distribute the funds for the school districts and roads based upon their respective levies equal to that which would ordinarily be allowed to them if the property were privately owned. Any remaining moneys can be used for defraying other expenses of the county. It appears the flood control monies are not distributed in accordance with these statutes.

Only by obtaining current assessed valuations for the flood control lands and applying the current tax levies of the applicable school districts and the townships to those valuations can the county know how much should be paid to the school districts and townships. As a result of this situation, the county has retained some monies which are properly due the school districts and townships.

WE RECOMMEND the County Commission have all flood control lands assessed, determine how much of the $13,588 discussed above is due the various school districts and townships, and distribute that amount to those entities. In addition, any future flood control monies received should be distributed in accordance with Section 12.100, RSMo 1994.

AUDITEE'S RESPONSE

The County Commission indicated they will attempt to determine how to disburse these monies.

4. General Fixed Asset Records and Procedures

Our review of the County Clerk's general fixed asset records and control procedures indicated that procedures are not adequate to ensure fixed assets purchases are included in the general fixed asset records. Eighteen fixed asset purchases totaling more than $65,000 were not included on the inventory records.

A. The County Clerk does not maintain property records in a manner that balances can be reconciled from period to period. That is, records are not such that the beginning balance, plus additions, less dispositions, equals the ending balance. A list of additions and deletions for each year is not maintained. Likewise, purchases per the expenditure records are not reconciled to additions per the inventory records. In addition, property records do not always include all information applicable to the item. Information such as tag

number and the date and means of disposition are not indicated on the property control record.

B. An annual inventory of all general fixed assets is not conducted. The last inventory was conducted in July 1997. If properly performed, an annual inventory could help detect items not recorded on the inventory records. Additionally, inspections of county-owned land and buildings are not conducted. Section 51.155, RSMo Cum. Supp. 1998, requires an annual inventory of all general fixed assets and quarterly inspections of county-owned land and buildings.

C. General fixed assets are not consistently numbered, tagged, or otherwise identified as county property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

Section 51.155, RSMo, requires the County Clerk to keep a continuous annual inventory of each item with an original value of $250 or more, identified by descriptive name, make and serial number, where appropriate, and a statement of changes in asset balances from the previous year; and to perform quarterly inspections of all county land and buildings. Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the County Clerk:

A. Ensure reconciliations are performed between prior year general fixed asset records and current year general fixed asset records which document total additions, deletions, and balances. In addition, the County Clerk should ensure property control records include a detailed description of each fixed asset as to property tag numbers and the method of disposition.

B. Perform an annual inventory of all general fixed asset items and quarterly inspections of buildings and land in accordance with Section 51.155, RSMo Cum. Supp. 1998. Records should be maintained to document the inventory and inspections.

C. Properly number, tag, or otherwise identify all county-owned property with an original cost of $250 or more and include the tag numbers on the property control record.

AUDITEE'S RESPONSE

The County Clerk indicated he would consider these recommendations when he reviews the new statutory requirements.

5. Computer Controls

The offices of the County Clerk, County Assessor, County Treasurer and Ex-Officio County Collector have access to a computer system that is networked together to maintain records of the county's financial transactions, property tax information, and other computerized information. Our review of the computer system controls and procedures indicated the following concerns:

A. Passwords which restrict employee access to computer files are not changed periodically, and some passwords are not kept confidential. A unique password should be assigned to each user, and these passwords should be kept confidential and be changed periodically to prevent unauthorized access to computer files. In addition, passwords should adequately restrict the capabilities of the respective user to only those duties the user has been authorized to perform.

B. The county does not have a formal emergency contingency plan for its computer systems. As a result, the county has not made formal arrangements for the use of backup facilities in the event of a disaster. In addition, some of the areas housing computer hardware and software are not equipped with fire detection, smoke detection, or extinguishing systems. Fire detectors and extinguishers should be installed to ensure that personnel can respond appropriately in the case of a fire.

   Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of thorough emergency contingency planning is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on data processing, the need for contingency planning is evident.

C. Control and proof functions are not performed by the County Clerk or the County Treasurer and Ex Officio County Collector to ensure that no data were added or lost during processing. We noted numerous inaccuracies in computer generated reports and source documents. Examples of these errors included the following:

   - The computer generated report for outstanding checks at December 31, 1998 included voided checks and checks that had cleared prior to December 31, 1998. In addition, several outstanding checks were not included on the report.

- Per the County Clerk, 1998 and 1997 actual receipts and disbursements reported in the county's budgets were based on computer generated reports. Per our review of the budgets, numerous errors were noted with actual receipts and disbursements.

These errors could have been detected had a thorough review of computer reports been performed by each applicable office to ensure that no data was added or lost during processing.

Each of the above issues is a factor that would provide improved internal control to the county and would help ensure the system is not used to circumvent the various controls that protect county assets and revenue sources. As the county's systems become more complex and more reliance is placed on them, it is necessary to ensure proper consideration is given to such control issues.

WE RECOMMEND the County Commission:

A. Ensure unique passwords are assigned to each employee and these passwords are periodically changed and remain confidential.

B. Develop a formal contingency plan for the county's computer systems and equip areas that house computer hardware and software with fire detectors, smoke detectors, or extinguishing systems.

C. Require control and proof functions to be performed by someone other than the computer operator to ensure that no data was added or lost during processing.

AUDITEE'S RESPONSE

The County Commission indicated:

A. Passwords will be changed periodically and the County Commission will attempt to keep them confidential.

B. They will discuss this with the computer programmer and will develop a contingency plan. A few smoke detectors were added.

C. They will look into this situation and if extra time is needed, they will do it.

The Assessor indicated:

A. New passwords were received in July 1999 and they were being kept confidential.

The County Treasurer and Ex-Officio County Collector indicated:

A. New passwords were received in July 1999. The office has two computers and two passwords.

C. A new program was obtained and she will work with the programmer to ensure it is accurate.

6. Personnel Policies and Procedures

A. The county has adopted vacation and sick leave policies for county employees. Full-time employees are allowed to earn one week paid vacation after one year of employment and two weeks after two years of employment. Any unused vacation time for the year is forfeited at the employee's anniversary date. The county's sick leave policy allows full-time employees to earn one day for each month until thirty days of sick leave have been accumulated. The county's compensatory time policy allows full-time employees to earn compensatory time at time and one-half if the employee works over forty hours per week. Compensatory time earned should be taken by the employee during the pay period earned. The county has no maximum limit on compensatory time earned.

Centralized records of leave balances and leave used and earned are not maintained. The County Clerk and County Commission indicated leave records are to be maintained by each individual office but our review noted some offices are not maintaining these records. In addition, in some of the offices the employees maintain their own leave records.

Without centralized records, the County Commission cannot ensure that employees' vacation and sick leave and compensatory time balances are accurate and that all employees are treated equitably. Centralized leave records also aid in determining unused vacation leave upon termination of employment.

B. The Public Administrator receives fees from the various cases which are assigned to her. In addition Section 473.739, RSMo Cumulative Supp. 1998, states the Public Administrator shall be paid an annual salary of $4,000 if her fees do not exceed $25,000.

During the year ended December 31, 1997, the Public Administrator received fees totaling $41,972, and the county paid her a salary of $4,000 as compensation. Because the Public Administrator received more than $25,000 in fees during 1997, it is questionable whether any additional salary was allowable for that year.

A condition similar to A was also noted in our prior report.

WE RECOMMEND the County Commission:

A. Maintain centralized records of leave earned, used, and accumulated for all county employees.

B. Review this situation with the Prosecuting Attorney to ensure the proper amount was paid to the Public Administrator and seek reimbursement for any overpayments.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They will stress to each officeholder that leave records should be maintained.

B. They have requested an Attorney General's Opinion and will take action when the opinion is received.

7. Board of Prisoners

The county jail is used to board prisoners for the cities within the county. Dunklin County established a billing rate for the cities at $4 a day, except for the city of Kennett, which is billed a flat rate of $600 a month. In its most recent report of prisoner incarceration costs submitted to the State Office of Administration, the county calculated its daily prisoner cost to be approximately $15. By establishing a billing rate that is not sufficient to recover all costs, the county is subsidizing the cost to house other political subdivisions' prisoners. In addition, no written agreement existed between Dunklin County and the City of Kennett for these services. Section 432.070, RSMo 1994, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

The County Commission and Sheriff should periodically review the costs of operating the jail, including any indirect costs, and establish an appropriate billing rate for all political subdivisions housing prisoners in the county jail. In addition, the County Commission should develop a written contract with the City of Kennett regarding inmate housing and related fees.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the Sheriff and the County Commission periodically review the cost of boarding prisoners and establish a billing rate for other political subdivisions that is sufficient to recover costs of housing prisoners in the Dunklin County jail. In addition, the county should obtain written agreements with the City of Kennett for the boarding of inmates.

AUDITEE'S RESPONSE

The County Commission indicated they do not believe a change should be made at this time. Because the cities are part of the county, the County Commission has discussed not charging the cities for the boarding of prisoners. The County Commission will ask the Prosecuting Attorney to look into the situation with the city of Kennett and advise the County Commission accordingly.

The Sheriff indicated this was previously discussed with the County Commission. The Sheriff believes $10-$12 is more appropriate for jail board cost. In the past, the Sheriff has asked the County Commission to obtain an agreement with the city of Kennett.

8. Ex Officio County Collector's Accounting Controls and Procedures

During the years ended February 28, 1999 and 1998, the Ex Officio County Collector collected property taxes totaling approximately $2.0 and $2.1 million, respectively. Our review indicated many significant problems in the control procedures used by the Ex Officio County Collector to account for this money.

A. Receipt slips are not issued for partial payments received. Partial payments are held until full payment is received and then the tax statement is marked paid. In addition, the receipt books used for some drainage districts and levee collections are not prenumbered. Consequently, the numerical sequence of receipt slips issued is not accounted for. To adequately account for receipts, prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly.

B. The method of payment received (cash, check, and money order) is not consistently indicated on the receipt slip or on the paid tax receipt. Additionally, the tax receipts are not reconciled to the composition of bank deposits. The Ex Officio County Collector does not post the paid tax bills to the computer on a daily basis or generate a daily abstract. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, a daily abstract should be generated and the method of payment should be reconciled to the composition of deposits.

C. Monies received are not deposited intact. Personal checks are cashed for county employees from the daily receipts. To ensure receipts are accounted for properly and deposited intact, personal checks should not be cashed from official tax receipts.

D. During the two years ended February 28, 1999, the Ex Officio County Collector did not distribute interest earned on bank deposits. As of February 28, 1999, cumulative interest totaled approximately $10,125. According to the Ex Officio County Collector, the interest had not been disbursed because she was not sure how to allocate the interest monies to the various political subdivisions.

Section 110.150.2, RSMo Cum. Supp. 1998, and Missouri Attorney General's Opinions No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, health center funds, library funds, special road and bridge funds, assessment funds, and bond debt service funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund. To allocate the interest equitably, the percentage of tax collections should be used.

E. For the year ended February 28, 1998, the annual settlement of the Ex Officio County Collector was completed and filed with the County Commission in July 1998. As of May 1999, the annual settlement for the year ended February 28, 1999, had not been completed. Section 139.160, RSMo 1994, requires settlements be filed with the County Commission by the first Monday in March. In addition, timely completion of the settlement is necessary to permit the prompt review and verification of the tax book charges and credits.

F. The Ex Officio County Collector's account includes land tax sale monies totaling approximately $13,000. Section 140.230, RSMo 1994, requires surplus monies from land tax sales be held by the County Treasurer for a period of seven years. At that time the monies shall be distributed to the various school districts within the county.

G. Monthly bank reconciliation procedures during the audit period were inadequate. Although the Ex Officio County Collector performed bank reconciliations for the regular checking account, other accounts were not reconciled. In addition, monthly listings of liabilities were not prepared and reconciled to cash balances. As of February 28, 1999, unidentified monies totaling $4,411 were held in the Ex Officio County Collector's bank account.

Additionally, during the two years ended February 28, 1999, CART monies totaling $512,872, sales tax monies totaling $466,890 and county monies totaling $100,000 were erroneously deposited into the Ex Officio County Collector's money market account. As of May 1999, county receipts and the related interest totaling $147,736 were still being held in the Ex Officio County Collector's bank accounts. The Ex Officio County Collector believed these monies had been transferred to a County Treasurer account, but instead they were erroneously transferred to another Ex Officio County Collector bank account. These monies should be transferred to the County Treasurer's account so that the balance of the County Treasurer's account is sufficient to cover the balances recorded in the County Treasurer's fund ledger (see 98-3).

These errors and the unidentified cash balance were not detected because the Ex Officio County Collector did not perform adequate monthly bank reconciliations and because monthly listings of liabilities were not prepared and reconciled to cash in the bank.

Accurate and complete bank reconciliations and identification of month-end liabilities are necessary to ensure all receipts and collections are properly accounted for, that cash in the bank is adequate to meet liabilities and that there is no unidentified excess or shortage in the account.

Conditions similar to B., C., D., and G. were also noted in our prior report.

WE RECOMMEND the Ex Officio County Collector:

A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of those receipt slips.

B. Record the method of payment on each receipt slip issued and each paid tax statement. Reconcile the composition of receipts to the paid tax bills and to bank deposits. Furthermore, prepare a daily abstract to reconcile collections per books to bank deposits.

C. Deposit all receipts intact and discontinue the practice of cashing personal checks.

D. Allocate interest in accordance with state statutes and Attorney General's opinion.

E. Ensure annual settlements are completed in a timely manner.

F. Disburse surplus monies from land tax sales to the County Treasurer.

G. Perform monthly bank reconciliations on all bank accounts, prepare monthly listings of liabilities and reconcile the listings to the reconciled bank balances.

AUDITEE'S RESPONSE

The Ex Officio County Collector indicated:

A. She will deposit partial payments as received and record the payments on the tax receipts. In addition, a log is now maintained for duplicate tax statement monies. In the future, all receipts will be prenumbered.

B. The method of payment is usually recorded and they will work to ensure it is always recorded. In addition, tax receipts are now reconciled to the composition of bank deposits. A log of all receipts will be maintained daily.

C, D, &G These recommendations will be implemented.

E. The settlement for the year ended February 28, 1999 is being finalized and she will work to complete future settlements in a timely manner.

F. Monies have been turned over to the County Treasurer and placed in a separate fund.

9. Circuit Clerk's Accounting Controls and Procedures

A. Civil and criminal receipts are not deposited on a timely basis. Deposits are made approximately once a week and average approximately $1,309 and $2,305 for civil and criminal receipts, respectively. To safeguard receipts and reduce the risk of loss, theft or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100.

B. Formal bank reconciliations are not prepared for the new child support account on a timely basis. As of March 1999, bank reconciliations had not been prepared for the previous five months. Failure to prepare formal bank reconciliations and post reconciling items on a timely basis increases the risk that misstatements will not be detected on a timely basis.

C. Monthly listings of open items (liabilities) are prepared; however, the listings do not reconcile with the cash balance for either the old or the new child support account. At December 31, 1998, the open items listing for the old child support account was $650 greater than the cash balance and the listing for the new child support account was $576 less than the cash balance. Monthly listings of open items are necessary to ensure monies held in trust by the Circuit Clerk are sufficient to meet liabilities. In addition, the Circuit Clerk should work to identify all cases with open items and to reconcile the open items to cash balances. If not identified, the Circuit Clerk should dispose of the monies in accordance with state law. Various statutory provisions including Sections 50.470 through 50.500, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed monies.

WE RECOMMEND the Circuit Clerk:

A. Deposit all monies intact daily or when accumulated receipts exceed $100.

B. Perform bank reconciliations and post reconciling items on a timely basis, so that errors or irregularities will be detected on a timely basis.

C. Reconcile the monthly listing of open items to the cash balance for all accounts. In addition, any unidentified monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A. *Civil and criminal receipts are deposited on a timely basis. We deposit every Friday unless cash accumulates over $100 then a deposit is made at that time. All checks are stamped when receipted with FOR DEPOSIT ONLY and kept at night in the vault until a deposit is made. Usually we make a deposit every other day, but always on Friday so that it is not carried over a weekend. A review of deposits with cash and the date cash was receipted on the 'board' will prove out this statement.*

B. *The bank reconciliations have now been caught up. I am working with the month of July 1999 at this time.*

C. *I have reviewed the open items and the checks outstanding on the old child support account and have resolved any differences and checks have been voided. Some monies were turned over to Division of Finance for those payments where we have no address information and some monies were paid over to Dunklin County with case number information so that if a claim for it is made in the next year or so, it will be readily accessible for refund.*

10. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney collects fees and restitution on bad checks and court-ordered restitution monies. The Prosecutor's Office requests that bad check offenders remit two money orders, one payable to the merchant for restitution and one payable to the Prosecuting Attorney's Office for the administrative fee. Court-ordered restitution is also made payable to the Prosecuting Attorney's Office. If the offender submits payments made payable to the Prosecuting Attorney or only one money order for the bad check restitution and fees, the monies are deposited to and disbursed from the Prosecuting Attorney's bank account. The bank account is maintained to account for payments related to bad checks. Our review of the Prosecuting Attorney's procedures revealed the following areas of concern:

A. Backup disks of computerized bad check information are not prepared. The bad check records are at risk of loss due to equipment failure or other electronic disaster. Backup disks should be prepared to provide a means of recreating destroyed master disks. Backup disks should be stored off-site to provide increased assurance that any lost data can be recreated.

B. Our review of the cash receipting and depositing procedures revealed the following weaknesses:

1) Money orders for bad check restitution made payable to merchants are not always transmitted on a timely basis. As of February 23, 1999, money orders payable to merchants totaling over $6,700 had been held for two or more weeks. In

addition, bad check fees are not deposited on a timely basis. Fees are deposited approximately once a week and average approximately $1,155.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed $100. In addition, money orders made payable to merchants should be transmitted on a more frequent basis.

2) Checks and money orders are not restrictively endorsed immediately upon receipt. They are endorsed when deposited, approximately once a week. To adequately safeguard assets, checks and money orders should be endorsed immediately upon receipt.

C. Monthly listings of open items (liabilities) are not prepared for the old and new checking accounts, and consequently, open items are not reconciled with cash balances. At our request, an open items listing was prepared as of December 31, 1998, for the old and new checking accounts. The December 31, 1998 open items listing for the new account exceeded the reconciled bank balance by $16. The open items listing for the old account was $546 less than the reconciled cash balance.

The December 31, 1998 open items listing for the old checking account includes items totaling approximately $6,008 which have been held since before December 1996. Some of these items have been carried on the open items list since before December 1993. These items have not been followed up on or corrected in a timely manner.

To adequately account for cash on deposit in the old checking account, old liabilities on the open items list should be distributed to the proper payees. If proper payees can not be located the monies should be disposed of in accordance with state law. Various statutory provisions including Sections 50.470 through 50.500, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed monies. In addition, monthly listings of open items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of differences.

Conditions similar to B.2 and C were also noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Ensure computerized bad check records are backed up on disk and these disks are stored in a secure, off-site location.

B.1. Transmit bad check restitutions to merchants on a timely basis and deposit all monies intact daily or when accumulated receipts exceed $100.

2. Restrictively endorse checks and money orders immediately upon receipt.

C. Prepare a monthly listing of open items and reconcile these listings to monies held in trust. In addition, review the account's open items and resolve any old open items in a timely manner.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

A. They are in the process of obtaining price quotes for a back-up system. Back-ups will be performed weekly.

B.1. This is a time issue. The employee responsible for doing this has other responsibilities. They will try to transmit to merchants weekly and will try to deposit more often.

2. This recommendation will be implemented.

C. This is a time issue. Current employees have other responsibilities and additional help is needed. They will take care of the open items held for a long period and look into the other areas.

11. County Clerk's Accounting Controls and Procedures

A. Receipt slips issued are not prenumbered and the method of payment is not always indicated on the receipt slips. To adequately account for receipts, prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly. In addition, to ensure receipts are transmitted intact, the method of payment should be recorded on all receipt slips, and the composition of receipt slips issued should be reconciled to the composition of the transmittals.

B. Checks and money orders are not restrictively endorsed immediately upon receipt. The endorsements are applied by the County Treasurer when checks and money orders are received from the County Clerk, monthly. To adequately safeguard assets, checks and money orders should be endorsed immediately upon receipt.

WE RECOMMEND the County Clerk:

A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence. Indicate the method of payment on each receipt slip issued and reconcile the composition of receipts to the composition of monies transmitted.

B. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The County Clerk indicated:

A. Prenumbered receipt slips are now issued and the method of payment is indicated.

B. He will look into obtaining a bank endorsement stamp and checks will be endorsed immediately.

12. Probate Division's Accounting Controls and Procedures

During 1997 and 1998, the Probate Division consisted of a Probate Clerk who handled all transactions related to probate cases and maintained the probate bank account and a Juvenile Clerk who handled all transactions related to juvenile cases and maintained the juvenile bank account. Our review of the Probate Division's procedures revealed the following areas of concern:

A. Accounting and bookkeeping duties are not adequately segregated. One clerk is responsible for handling probate cases and performs the duties of receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the probate accounting records. Another clerk is responsible for handling juvenile cases and performs the duties of receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the juvenile accounting records. An independent review of deposits and accounting records is not performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

B. We noted the following concerns related to receipts:

1) The method of payment received (cash, check, and money order) is not indicated on the receipt slips issued for the juvenile account. In addition, the numerical sequence of receipt slips issued is not accounted for. To adequately account for all receipts, the numerical sequence of receipt slips should be accounted for. In

addition, to ensure all receipts are deposited intact, the method of payment should be recorded on the receipt slips and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

2) Receipts are not deposited to the probate account on a timely basis. Receipts are deposited approximately once a week and average approximately $1,024. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100.

WE RECOMMEND the Probate Judge:

A. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B.1. Record the method of payment on each receipt slip issued and reconcile the composition of receipts to the composition of bank deposits. In addition, the numerical sequence of receipt slips should be accounted for.

2. Deposit all monies intact daily or when accumulated receipts exceed $100.

AUDITEE'S RESPONSE

The Probate Judge indicated:

A. Their plan is to rotate accounting and bookkeeping duties monthly to provide segregation.

B.1. This recommendation has been implemented.

2. They will try to deposit every three working days.

13. Assessor's Accounting Controls and Procedures

The Assessor's Office sells maps, public record information and copies to the public; however, the Assessor does not maintain adequate records to account for monies received. Our review noted the following concerns:

A. Receipt slips are not issued for monies received. To adequately account for receipts, prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly. In addition, to ensure all receipts are remitted intact, the method of payment should be recorded on all receipt slips, and the composition of receipt slips issued should be reconciled to the composition of the transmittal.

B. Receipts are not transmitted to the County Treasurer on a timely basis. We noted the Assessor's Office transmitted receipts to the County Treasurer two times in 1998 and four times in 1997. Receipts totaling $428 were transmitted on May 1, 1998, and receipts totaling $195 were transmitted on June 23, 1998. During 1997, receipts were transmitted in June, July, October, and November and averaged $208.

In addition, receipts are not transmitted to the County Treasurer intact as cash is withheld to make change. The Assessor does not keep a constant amount of monies in the change fund. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer intact monthly as required by Section 50.360, RSMo 1994, and the change fund should be maintained at a constant amount.

C. Checks are not restrictively endorsed immediately upon receipt. The endorsements are applied by the County Treasurer when checks are received from the Assessor, two to four times a year. To adequately safeguard assets, checks should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Assessor:

A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence. Indicate the method of payment on each receipt slip issued and reconcile the composition of receipts to the composition of monies transmitted.

B. Transmit all monies to the County Treasurer intact monthly as required by Section 50.360, RSMo 1994, and maintain the change fund at a constant amount.

C. Restrictively endorse checks immediately upon receipt.

AUDITEE'S RESPONSE

The Assessor indicated:

A. She will implement this recommendation.

B. Receipts will be transmitted every month.

C. She will talk with the County Treasurer about obtaining a deposit stamp to endorse checks immediately.

14. Recorder of Deeds' Accounting Controls and Procedures

The Recorder of Deeds' Office collects various fees for recording documents such as marriage licenses, etc. Monies are not deposited intact as cash refunds are made for overpayments of fees paid by check. In addition, receipts are not deposited on a timely basis. Deposits are made approximately twice a week and average approximately $2,491. When deposits are prepared, the Recorder of Deeds removes the cash and checks from the drawer, accounts for receipts recorded in the various fee books, makes adjustments for cash refunds given, and plugs the excess cash as copy receipts. Because copy receipts are not recorded as received, there is no assurance that the amount deposited for copy receipts is accurate.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, copy receipts should be recorded as received and receipts should be deposited intact daily or when accumulated receipts exceed $100. In addition, to reduce the risk of loss or misuse of funds, all refunds should be made by check.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the Recorder of Deeds record copy monies as received and deposit all monies intact daily or when accumulated receipts exceed $100. In addition, refunds should be made by check.

AUDITEE'S RESPONSE

The Recorder indicated she will look into a way to receipt copy money and will make deposits as time allows. Overpayments are recorded in the overpayment receipt book and the person receiving the cash refund is sent a copy of the receipt that is to be signed and returned. Cash refunds do not exceed $6.

15. Sheriff's Accounting Controls and Procedures

A. Accounting and bookkeeping duties are not adequately segregated. One deputy is primarily responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. An independent review of deposits and accounting records is not performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

B. The method of payment received (cash, check, and money order) is not indicated on the receipt slips issued. To ensure all receipts are deposited intact, the method of payment

should be recorded on the receipt slips, and the composition of receipt slips issued should be reconciled to the composition of deposits.

C. Receipts are not deposited on a timely basis. Deposits are made approximately two times a week and average approximately $2,400. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100.

D. Monthly listings of open items (liabilities) are not prepared. At December 31, 1998, the reconciled bank balance was $21,219 and December collections disbursed in January totaled $18,955, resulting in unidentified monies of $2,264. Monthly listings of open items are necessary to ensure monies held in trust by the Sheriff are sufficient to meet liabilities. In addition, the Sheriff should work to identify the excess monies held in the bank account. If not identified, the Sheriff should dispose of the monies in accordance with state law. Various statutory provisions including Sections 50.470 through 50.500, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994 provide for the disposition of unclaimed monies.

Conditions similar to B and C were also noted in our prior report.

WE RECOMMEND the Sheriff:

A. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Record the method of payment on each receipt slip issued and reconcile the composition of receipts to the composition of bank deposits.

C. Deposit all monies intact daily or when accumulated receipts exceed $100.

D. Prepare a monthly listing of open items and reconcile these listings to monies held in trust. In addition, any unidentified monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Sheriff indicated:

A. He is currently looking over the bank reconciliation each month and documenting his review.

B. They now write cash on the receipt slips when cash is received.

C. Receipts are now deposited daily.

D. They have identified approximately 50 percent of the unidentified monies and are working to identify the remaining balance. In the future, a monthly listing of open items will be prepared and agreed to the reconciled bank balance.

16. Health Center Procedures

A. Accounting and bookkeeping duties are not adequately segregated. Although all employees receipt monies, one individual is responsible for depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. An independent review of deposits and accounting records is not performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

B. We noted the following concerns related to the Health Center's budget:

1) The Health Center budget was not sufficiently detailed. Budgeted and actual receipts and/or disbursements were reported in category total only with no descriptive classifications for the categories. To be of maximum benefit to the Health Center Board of Trustees and to adequately inform county residents of the Health Center's operations, a complete and detailed budget document is needed.

2) Receipts, disbursements and year end cash balances reported on the Health Center's annual budgets did not agree to the Health Center's internal accounting records or the total reconciled bank balances at year end. For example, for the year ended December 31, 1998, receipts and/or disbursements were misstated by approximately $12,400. The Health Center does not maintain support for receipts and disbursements reported in the budget and has no procedures to ensure amounts reported in the budget agree to internal accounting records. For the annual budgets to present the Health Center's complete financial activity, all monies received and disbursed in a calendar year should be reflected in the Health Center's budget document and agreed to the cash balance per the year end bank statements.

C. We noted the following concerns related to the Health Center's cash receipts records and procedures:

1) The one-write and vital records receipt slips are not prenumbered. Consequently, the numerical sequence of receipt slips issued cannot be accounted for. In

addition, all receipts are not immediately posted to the cash control records. To adequately account for receipts, all receipts should be posted to the cash control when received and prenumbered receipt slips should be issued.

2) Receipts are not deposited on a timely basis. Deposits are made approximately two times a week and average approximately $3,000. In addition, monies received for TB tests are deposited approximately every two months and monies received for vital records are deposited approximately two times a week. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100.

3) The method of payment received (cash, check, and money order) is not indicated on the receipt slips issued. To ensure all receipts are deposited intact, the method of payment should be recorded on the receipt slips, and the composition of receipt slips issued should be reconciled to the composition of deposits.

4) Checks and money orders are not restrictively endorsed immediately upon receipt. The endorsements are applied when the deposits are prepared. To adequately safeguard assets, checks and money orders should be endorsed immediately upon receipt.

D. The amount of collateral security pledged by the Health Center's depository bank as of December 31, 1997, was insufficient by approximately $45,400 to cover monies in the custody of the Health Center Board of Trustees. It appears this situation occurred because bank balances were not monitored by the Heath Center Board of Trustees.

Section 110.020, RSMo 1994, provides that the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave Health Center funds unsecured and subject to loss in the event of bank failure.

E. Records of vacation leave, sick leave, and compensatory time earned, taken, and accumulated were maintained by the Health Center using employee leave slips. However, the Health Center does not agree the leave records to employee time sheets. During our review we noted several discrepancies between the leave records and employee time sheets. For example, one employee's time sheet reported 11.5 hours of sick leave was taken in August 1998; however, the leave record did not indicate any sick leave was taken for August 1998.

Without accurate leave records, the Health Center cannot ensure that employees are treated equitably. Accurate leave records are also necessary to determine final pay for employees leaving Health Center employment.

F. We noted the following concerns related to the Health Center's expenditures:

1) The Health Center Director approved some payments to vendors without requiring acknowledgment of receipt of goods or services. As a result, the Health Center does not always have adequate assurance it is paying for actual goods and services received and approved by the applicable party. In addition, invoices were not always canceled or marked paid after payment was made.

To ensure the validity and propriety of expenditures, adequate supporting documentation, including acknowledgment that the specific goods and/or services were in fact received, should be maintained for all payments to vendors. In addition, invoices should be canceled or marked paid to reduce the possibility of duplicating payment.

2) The Health Center did not always obtain written contracts for services received. We noted numerous individuals and organizations were paid as independent contractors; however, the Health Center did not enter into contracts with these individuals or organizations governing the services to be provided and the related compensation. Various individuals and organizations received payments totaling approximately $6,900 and $10,800 for the years ending December 31, 1998 and 1997, respectively, for which a written contract could not be located.

Section 432.070, RSMo 1994, requires all contracts to be in writing. Written contracts are necessary to outline the terms of arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of such expenditures.

G. Our review of the general fixed asset records and procedures indicated the following concerns:

1) An annual inventory of all general fixed assets is not being conducted.

2) The Health Center does not maintain property records in a manner that balances can be reconciled from period to period. That is, records are not such that the beginning balance, plus additions, less dispositions, equals the ending balance. In addition, property records do not include all information applicable to the item. Information such as acquisition dates and cost are not indicated on the property control record.

3) Some fixed assets are not consistently numbered, tagged, or otherwise identified as Health Center owned property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the Health Center.

4) The Health Center does not have formal procedures for disposing of Health Center owned property. No written authorization for disposal is obtained from the Board of Trustees. Written authorization for the disposal of property and documentation of the date and method of disposition are necessary to lessen the possibility of misuse and to provide adequate support for changes to the general fixed asset records.

Adequate general fixed asset records and procedures are necessary to secure better internal controls over Health Center property and provide a basis for determining proper insurance coverage of Health Center property. Inventories of Health Center property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

H. Our review of the Health Center's computer system indicated the following areas where improvements are needed:

1) Passwords which restrict employee access to computer files are not changed periodically, and passwords are not kept confidential. A unique password should be assigned to each user, and these passwords should be kept confidential and be changed periodically to prevent unauthorized access to computer files. In addition, passwords should adequately restrict the capabilities of the respective user to only those duties the user has been authorized to perform.

2) The Health Center does not have a formal emergency contingency plan for its computer systems. As a result, the Health Center has not made formal arrangements for the use of backup facilities in the event of disaster. In addition, some of the areas housing computer hardware and software are not equipped with fire detection, smoke detection or extinguishing systems. Fire detectors and extinguishers should be installed to ensure that personnel can respond appropriately in the case of a fire.

Contingency plans should include plans for a variety of situations, such as short and long-term plans for backup hardware, software, facilities, personnel and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of thorough emergency contingency planning is the ability of the Health Center to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to operations. Because of the Health Center's degree of reliance on data processing, the need for contingency planning is evident.

3) The Health Center prepares back up disks of all financial information data daily; however, the backup disks are not stored at an off-site location. Backups of

computer information provide a means of recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Backup disks should be maintained and stored off-site to provide increased assurance that any lost data can be recreated.

Conditions similar to A, C.1-C.3, F.1, F.3, G.1, and G.2 were also noted in our prior audit report.

WE RECOMMEND the Health Center Board of Trustees:

A. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B.1. Include detailed classifications of receipts and disbursements in the budgets.

2. Ensure all receipts, disbursements and ending cash balances are properly reflected in the annual budget document.

C.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence. In addition, ensure all receipts are posted to the cash control record when received.

2. Deposit all monies intact daily or when accumulated receipts exceed $100.

3. Record the method of payment on each receipt slip issued and reconcile the composition of receipts to the composition of bank deposits.

4. Restrictively endorse checks and money orders immediately upon receipt.

D. Ensure adequate collateral securities are pledged to protect the Health Center's funds. This can be done by monitoring bank activity and providing timely notice to the depository banks of the need for additional collateral securities to be pledged.

E. Maintain accurate leave records for all Health Center employees and ensure the leave records agree to time sheets.

F.1. Require acknowledgment of receipt of goods and/or services prior to payment. In addition, ensure all invoices are canceled when paid to prevent the possibility of duplicate payment.

2. Enter into written contracts that specifically state the services to be provided to the Health Center. Any expenditures made should be monitored for compliance with the terms of the contract.

G.1. Perform an annual inventory of all general fixed asset items. Records should be maintained to document the inventory.

2. Ensure reconciliations are performed between prior year general fixed asset records and current year general fixed asset records which document total additions, deletions, and balances. In addition, ensure property control records include a detailed description of each fixed asset as to acquisition date and cost.

3. Properly number or tag all fixed asset items.

4. Establish a formal method of disposing of general fixed assets. At a minimum, written authorization for all property dispositions should be obtained and date and method of disposition should be recorded on the general fixed asset records.

H.1. Ensure unique passwords are assigned to each employee and these passwords are periodically changed and remain confidential.

2. Develop a formal contingency plan for the Health Center's computer systems and equip all areas that house computer hardware and software with fire detectors, smoke detectors or extinguishing systems.

3. Ensure backup disks are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

The Health Center Administrator indicated:

A. All cash receipts now go to one clerk and she makes the deposit daily. The deposit slip is turned over to another clerk who records the deposit and reconciles the bank account. The bank reconciliation will be reviewed by another individual.

B, G.1, G.2 & H.2. These recommendations will be implemented.

C.1. The one-write is now prenumbered and no other receipt slips are issued.

2. Deposits are now made daily.

3. The method of payment is now recorded on the one-write.

4. Checks are now endorsed immediately.

D &
H.1 These recommendations have been implemented.

E. Time sheets are now compared with leave slips monthly and differences are investigated.

F.1. Invoices now indicate acknowledgment of receipt of goods and services.

2. The health center no longer contracts for physician services. A nurse practitioner was hired.

G.3. This is generally done and they will work to ensure all fixed assets are tagged.

4. He now has board authorization to dispose of assets costing less than $1,000.

H.3. The backup disk is now kept off-site.

This report is intended for the information of the management of Dunklin County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Dunklin County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 3. is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgets and Financial Statements

   A. Formal budgets were not prepared for various county funds for the years ended December 31, 1996, 1995, and 1994.

   B. Disbursements exceeded the approved budget for various county funds for the years ended December 31, 1996 and 1994.

   C. Several inaccuracies were noted in the information presented in the county's budget documents. In addition, receipts and disbursements did not always agree to the Treasurer's fund ledger.

   D. The annual published financial statements did not include the financial activity of some county funds as required.

   Recommendation:

   The County Commission:

   A. Ensure financial information for all county funds is included in the annual budgets.

   B. Refrain from incurring disbursements in excess of budgeted amounts. If additional funds are received which could not be estimated when the budget was adopted, the budget should be amended by following the procedures required by state law.

   C. Ensure budget documents are accurate and complete. In addition, a reconciliation between the County Clerk's records and the Treasurer's records should be performed.

   D. Ensure financial information for all county funds is properly reported in the annual financial statements.

   Status:

   A,B, & D. Not implemented. See MAR No. 1.

   C. Not implemented. See No. 98-2.

2. County Expenditure Procedures and Practices

A. The county had a written agreement with the Southeast Missouri (SEMO) Regional Crime Laboratory to pay a specified sum for services rendered to the Dunklin County Sheriff's department and the Prosecuting Attorney's Office. The county did not receive or maintain any documentation of actual services rendered by the crime lab on behalf of the county to determine whether the amount paid was reasonable compared to the services rendered.

B. Records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

C. The Prosecuting Attorney had an office in the courthouse which was used for both county business and his private practice. The county did not have a written agreement with the Prosecuting Attorney outlining what costs would be paid and what office personnel and equipment would be provided by the county and what would be provided by the private practice. The Prosecuting Attorney did not pay the county for the rent of office space.

D. The county filed quarterly reports with the State Tax Commission seeking reimbursement of 50 percent of expenses made by the Assessment Fund. The Assessment Fund had expenditures of $229,546 during the year ended December 31, 1996 but only $196,261 was claimed on the quarterly reports. As a result, the county did not receive reimbursement of $16,643.

E.1. The county had a long-standing oral agreement with the City of Kennett to house city prisoners in the county jail for a set amount of $600 per month. Based on prisoner days, the average cost per prisoner day to the city of Kennett for 1996 was $6.66. In addition, computer and dispatching services were provided by the city to the county.

2. The county charged $4 per day for each prisoner housed in the county jail for cities within the county and $14 per day for cities outside the county. These agreements between the county and the various cities were not in writing.

Recommendation:

The County Commission:

A. Enter into a detailed contract with SEMO Regional Crime Laboratory which specifies the services to be rendered and the manner and amount of the compensation. Further, the county should maintain detailed documentation of the services provided to ensure payments made are reasonable.

B. Require records to be maintained of vacation, sick leave, and overtime earned, used, and accumulated.

C. And Prosecuting Attorney enter into a written agreement outlining what costs will be paid and what office personnel and equipment will be provided by the county and what will be provided by the private practice.

D. File an amended quarterly report for the additional expenses incurred by the Assessment Fund.

E.1. Prepare a written contract between the county and the city of Kennett concerning the boarding of city prisoners and the computer and dispatching services.

2. Prepare written contracts between the county and the various cities regarding the boarding of city prisoners.

Status:

A. Not implemented. The county did not enter into a detailed contract with the SEMO Regional Crime Laboratory or receive detailed documentation of services provided. Although not repeated in the current report, our recommendation remains as stated above.

B. Not implemented. See MAR No. 6.

C&
E.2. Implemented.

D. Not implemented. An amended quarterly report was not filed for additional expenses incurred by the Assessment Fund in 1996. Although not repeated in the current report, our recommendation remains as stated above.

E.1. Not implemented. See MAR No. 7.

4. County Clerk's Controls and Procedures

A. An annual inventory of all general fixed assets was not conducted. In addition, inspections of county-owned land and buildings were not performed.

B. The County Clerk did not maintain property records in a manner that balances could be reconciled from period to period. A list of additions and deletions for each year was not maintained. Likewise, purchases per the expenditures records were not reconciled to additions per the inventory records.

C. General fixed assets were not numbered, tagged or otherwise identified as county property.

Recommendation:

The County Clerk:

A. Perform and document inspections and inventories of county-owned property as required by state law.

B. Ensure reconciliations are performed between prior year general fixed asset records and current year general fixed asset records which document total additions, deletions, and balances. Property purchases per the expenditure records should be reconciled to the general fixed asset additions.

C. Properly number, tag, or otherwise identify all county-owned property with an original cost of $250 or more.

Status:

A-C. Not implemented. See MAR No. 4.

5. County Treasurer's Funds and Procedures

A. Monies were not deposited daily or when accumulated receipts exceeded $100.

B. The County Treasurer maintained a significant amount of money in three noninterest-bearing checking accounts.

Recommendation:

The County Treasurer:

A. Deposit receipts daily or whenever accumulated receipts exceed $100.

B. Maintain all monies in interest-bearing accounts, such as NOW accounts.

Status:

A&B. Implemented.

6. Ex Officio Collector's Accounting Controls and Procedures

A. The principal of a certificate of deposit purchased with duplicate tax receipt fees, $6,277, and $3,500 paid to the former Ex Officio Collector in July 1988, had never been remitted to the General Revenue Fund. As a result, $9,777 was due from the former Ex Officio Collector to the General Revenue Fund at February 28, 1997.

B. Tax collections received by the Ex Officio Collector were not adequately invested during the entire audit period.

C. The County Collector did not distribute interest earned on bank deposits properly.

D. Monthly bank reconciliation procedures during the audit period were inadequate. A running cash balance was not maintained in the Ex Officio Collector's checkbook and a monthly listing of liabilities was not prepared and compared to the reconciled bank balance to ensure there was adequate cash to meet liabilities.

E.1. The tax receipts marked paid by the Ex Officio Collector indicated the method of payment, however the tax receipts were not reconciled to the composition of bank deposits. In addition, the Ex Officio Collector did not post the paid tax bills to the computer on a daily basis or generate a daily abstract.

2. The Ex Officio Collector did not deposit receipts intact. Some monies were retained for a change fund and checks were cashed for the Ex Officio Collector. Additionally, the change fund was not maintained at a set amount. According to the Ex-Officio Collector, personal monies were included in the change fund.

3. Monies were not deposited daily or when accumulated receipts exceeded $100.

4. Checks were not restrictively endorsed until deposits were prepared.

F. The Ex Officio Collector used incorrect unadjusted levies for some school districts to calculate the ratios to compute the commission and assessment amounts withheld from the state assessed schools portion of the railroad and utility taxes. This resulted in excess amounts withheld from the state assessed school tax.

Recommendation:

A. The County Commission require the former Ex Officio Collector personally repay $9,777 to the General Revenue Fund for duplicate tax receipt fees retained.

B. The Ex Officio Collector invest the official bank account in an interest-bearing account.

C. The Ex Officio Collector distribute the interest earned in accordance with statutory provisions and opinions of the Attorney General.

D. The Ex Officio Collector maintain a checkbook balance and prepare complete and accurate bank reconciliations which are compared to monthly listings of liabilities.

E.1. The Ex Officio Collector reconcile total cash, checks, and money orders received to bank deposits and to the paid tax bills. In addition, a daily abstract should be prepared in order to reconcile collections to bank deposits.

2. The Ex Officio Collector identify and document all personal monies in the change fund, maintain the change fund at a constant level, and deposit all monies received intact. In addition, the Ex Officio Collector should discontinue cashing personal checks.

3. The Ex Officio Collector deposit all monies received daily or when accumulated receipts exceed $100.

4. The Ex Officio Collector restrictively endorse all checks immediately when received.

F. The County Commission remit $1,487 from the General Revenue Fund and $496 from the Assessment Fund to the schools and the Ex Officio Collector utilize proper ratios when determining amounts to be withheld from the school districts' tax collections.

Status:

A. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

B,E.3, & E.4. Implemented.

C& E.1. Not implemented. See MAR No. 8.

D. Partially implemented. A checkbook balance was maintained and reconciled each month; however, no listing of liabilities was maintained. See MAR No. 8.

E.2 Partially implemented. The change fund was maintained at a constant amount of $600 and did not contain any personal monies. However, receipts are not deposited intact. See MAR No. 8.

F. Not implemented. The excess amounts withheld were not remitted to the schools. During the audit period, the Ex Officio Collector continued to use incorrect ratios for two school districts. However, the excess amounts withheld appear to be insignificant. Although not repeated in the current report, our recommendation remains as stated above.

7. Township Collector's Commissions

A. Incorrect unadjusted levies for Kennett-39 School District were used in calculating ratios used to adjust school tax collections subject to Proposition C. As a result, the township collector responsible for collecting this school district's taxes withheld excess commissions and assessment amounts which were due from the township collector and the assessment fund to the Kennett-39 School District.

B. During the review of the township collectors' commissions, instances were noted where the township collectors incorrectly calculated the commissions withholding.

Recommendation:

A. The County Commission ensure future commissions and assessment withholdings are adjusted for amounts over withheld and that the township collectors utilize proper ratios when determining amounts to be withheld from the school districts' tax collections.

B. The County Commission ensure future commissions are adjusted for amounts over withheld and that the township collectors use the proper commission percentage based on collections.

Status:

A&B. Implemented.

8. Associate Circuit Division's Accounting Controls and Procedures

A. The method of payment was not indicated on the one-write ledgers for the civil and criminal accounts and the composition of receipts was not reconciled to the deposit slips.

B. Monthly listings of open items (liabilities) were not prepared for fines and court costs maintained in the traffic account and consequently, liabilities were not reconciled with cash balances.

C. The Associate Circuit Division fines and court costs received from November 1996 through May 1997 were not disbursed until June 18, 1997.

Recommendation:

The Associate Circuit Division:

A. Record the method of payment on the one-write ledgers and reconcile total cash, checks, and money orders to bank deposits.

B. Prepare monthly listings of open items and reconcile to the cash balances for the traffic account.

C. Disburse monies received on a monthly basis in accordance with state law.

Status:

A-C. Implemented.

9. Prosecuting Attorney's Accounting Controls and Procedures

A. The method of payment was not indicated on the one-write ledger, and the composition of receipts was not reconciled to the deposit slips.

B. Only money orders made payable to the Prosecuting Attorney and deposited into the bank account were receipted and recorded on the one-write ledger. Receipts could not be reconciled to deposits because all bad check fees received in one day and recorded on one receipt slip may not have been included in the same deposit.

C. An open-items listing had not been prepared since our prior audit. At our request, an open-items listing was prepared and the reconciled cash balance exceeded the total identified open items by $1,644.

D. At December 31, 1996, the bank account had $329 in outstanding checks that were over a year old.

E. Records were not always retained as required.

Recommendation:

The Prosecuting Attorney:

A. Record the method of payment on the one-write ledger and reconcile total cash, checks, and money orders to bank deposits.

B. Issue prenumbered receipt slips for all monies received and maintain a complete record of receipts, including those transmitted directly to the merchants.

C. Prepare a monthly listing of open items and reconcile it to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.

D. Attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.

E. Maintain all public records as required by state law.

Status:

A, D. & E. Implemented.

B. Partially implemented. Receipt slips are prenumbered. Receipt slips are not issued for money orders made payable to vendors and delinquent tax monies received. However, money orders made payable to vendors are recorded on a log as received. See MAR No. 10.

C. Not implemented. See MAR No. 10.

10. Recorder of Deeds' Accounting Controls and Procedures

A. Monies were not deposited intact as cash refunds were made for overpayments of fees paid by check and cash was withheld to make change. In addition, the Recorder of Deeds did not keep a set amount of monies in the change fund.

B. The fee books and other financial records did not contain sufficient documentation to agree individual recordings to related deposits. The method of payment was not documented in the fee book and sufficient detail was not transferred to accounts receivable records for identification purposes.

Recommendation:

The Recorder of Deeds:

A. Deposit all monies received intact daily or when cash on hand exceeds $100. In addition, refunds should be made by check and the change fund kept at a set amount.

B. Record fees in the fee book in sufficient detail to agree individual recordings to the related deposits. This would include documenting the method of payment in the fee book and transferring sufficient details to the accounts receivable records for identification purposes. In addition, the composition (cash, checks, and money orders) noted in the fee book should be reconciled to the composition of bank deposits.

Status:

A. Partially implemented. The Recorder of Deeds maintains the change fund at a constant amount. However, deposits are not made daily and refunds, up to an amount of six dollars, are made in cash. See MAR No. 14.

B. Implemented.

11. Sheriff's Records and Procedures

A. The method of payment was not indicated on the one-write ledger and the composition of receipts was not reconciled to the deposit slips.

B. Receipts were not deposited intact and deposits were made only once or twice a week. In addition, checks from employees were cashed from receipts.

C.1. The mileage claims filed by the Sheriff's Office for investigations did not contain the information required by Section 57.430.2, RSMo 1994.

2. The mileage claims filed by the Sheriff's Office for criminal mileage did not appear to represent actual mileage.

Recommendation:

The Sheriff:

A. Record the method of payment on the one-write ledger and reconcile total cash, checks, and money orders to bank deposits.

B. Deposit all monies received intact daily or when cash on hand exceeds $100. In addition, discontinue cashing checks for employees.

C. Ensure mileage claims submitted are complete and accurate and in accordance with state law. The County Commission should refrain from reimbursing mileage claims that are not in accordance with state law.

Status:

A. Not implemented. See MAR No. 15.

B. Partially implemented. Receipts are deposited intact. However, deposits are not made daily or when receipts exceed $100. See MAR No. 15.

C. Implemented.

12. Health Center's Accounting Controls and Procedures

A.1. Receipts were not deposited intact and on a timely basis. In addition, we noted where checks from employees were cashed.

2. Receipt slips issued by the health center were not prenumbered and receipts were not recorded in the cash control immediately when received. In addition, family planning receipts were not properly recorded.

3. The method of payment was not indicated on the one-write cash control and the composition of receipts was not reconciled to the deposit slips.

4. The duties of receiving, recording, depositing monies and reconciling the bank account were not adequately segregated.

B.1. The Health Center did not have written contracts with the doctors that performed family planning clinics and no invoice for payment was received. Also, there were other disbursements noted that did not have an invoice or supporting documentation.

2. Invoices did not always indicate that the goods or services were actually received.

3. The Health Center Administrator did not review the invoices or supporting documentation before the checks were signed.

C.1. An annual inventory of all general fixed assets was not conducted.

2. Property records were not maintained in a manner that balances could be reconciled from period to period. Likewise, purchases per the expenditure records were not reconciled to additions per the inventory records.

Recommendation:

The Health Center Board of Trustees:

A.1. Deposit all monies received intact daily or when cash on hand exceeds $100. In addition, discontinue cashing checks for employees.

2. Issue prenumbered receipt slips for all monies received and require all receipts to be recorded in the cash control immediately when received.

3. Record the method of payment on the receipt slips or cash control and reconcile total cash, checks, and money orders to bank deposits.

4. Adequately segregate the duties of receiving, recording, depositing monies, and reconciling the account. At a minimum, the Health Center Administrator should perform documented review of the work performed.

B.1. Require a written contract be obtained for all services and ensure adequate documentation is received and maintained to support all expenditures.

2. Require all applicable invoices to indicate receipt of goods.

3. Require the invoice or supporting documentation be reviewed before authorizing payment.

C.1. Perform and document inventories of Health Center owned property as required by state law.

2. Ensure reconciliations are performed between prior year general fixed asset records and current year general fixed asset records which document total additions, deletions, and balances. Property purchases per the expenditure records should be reconciled to the general fixed asset additions.

Status:

A, B.1,
B.2,
& C. Not implemented. See MAR No. 16.

B.3. Partially implemented. The Director or Deputy Director of the Health Center reviews the invoices or supporting documents as checks are signed, however this review is not documented. Although not repeated in the current report, our recommendation remains as stated above.

13. Senate Bill 40 Board

A. The Senate Bill 40 Board Fund had accumulated a significant cash reserve. In addition, the Senate Bill 40 Board had other available resources such as current year property taxes not received at year end also available.

B. The Senate Bill 40 Board contracted with various not-for-profit (NFP) corporations to provide services in accordance with Section 205.970, RSMo 1994. However, the contracts did not specify the amounts to be paid to the NFPs and the specific services to be performed by the NFPs in return.

Recommendation:

The Senate Bill 40 Board:

A. Review the cash balance and consider reducing the property tax levy. If short-term plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the board minutes. In addition, all beginning available resources should be included in the budget document.

B. Update its contracts with the NFP corporations to include the specific services being received to ensure the consideration received for payments made is reasonable.

Status:

A. Partially implemented. The Senate Bill 40 Board reduced the levy from .09 to .08. In addition, the board is considering additional funding for the NFP organizations it supports. Although not repeated in the current report, our recommendation remains as stated above.

B. Not implemented. The contracts were updated; however they do not detail specific services being received. The NFP organizations present funding requests in writing which indicate how the money will be used. The funding requests and board approval are documented in the board minutes. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DUNKLIN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Dunklin was named after Daniel Dunklin, a former governor of Missouri. Dunklin County is a township-organized, third-class county and is part of the Thirty-Fifth Judicial Circuit. The county seat is Kennett.

Dunklin County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Dunklin County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 513,228	15	523,156	23
Sales taxes	1,061,492	32	0	0
Federal and state aid	1,052,122	31	1,029,925	44
Fees, interest, and other	724,876	22	762,042	33
Total	$ 3,351,718	100	2,315,123	100

The following chart shows how Dunklin County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 1,387,947	44	1,102,873	41
Public safety	964,303	30	883,312	32
Highways and roads	825,864	26	744,330	27
Total	$ 3,178,114	100	2,730,515	100

The county maintains approximately 114 county bridges and has 790 miles of county roads which are maintained by the various townships.
::

The county's population was 33,742 in 1970 and 33,112 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
			(in millions)		
Real estate	$ 135.5	126.3	112.8	49.6	34.3
Personal property	60.6	60.3	22.9	12.8	8.7
Railroad and utilities	22.8	23.1	16.7	17.8	13.2
Total	$ 218.9	209.7	152.4	80.2	56.2

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Dunklin County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ 0.1	0.26
Health Center Fund	0.1	0.1
Senate Bill 40 Board Fund	0.08	0.08

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 66,774	64,928
General Revenue Fund	257,649	561,266
Special Road and Bridge Fund	556,144	544,113
Assessment Fund	93,774	96,572
Health Center Fund	220,325	214,754
Senate Bill 40 Board Fund	177,211	174,204
School districts	6,784,963	6,654,413
Library district	548,958	535,467
Ambulance district	265,539	258,905
Johnson Grass Fund	2,020	2,920
Townships	213,067	207,497
Drainage/Levee Districts	12,053	12,200
Cities	90,202	91,426
County Employees' Retirement	69,918	72,252
Other	6,848	7,998
Commissions and fees:		
General Revenue Fund	74,380	78,768
Townships Collectors	62,603	63,890
Ex Officio Collector	147	81
Total	$ 9,502,575	9,641,654

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	93.4 %	93.5 %
Personal property	86.8	87.7
Railroad and utilities	100.0	100.0

Dunklin County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	*

* The ballot indicated the present property tax rate would be reduced to 10 cents per $100 assessed valuation.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			
Don Jones, Presiding Commissioner	$	25,622	25,622
Carl Williams, Associate Commissioner		25,622	25,622
Jeanie M. Herbst, Associate Commissioner		23,622	23,622
Susan Luce, Recorder of Deeds		36,603	36,603
Charles Isbell, County Clerk		39,654	39,654
Stephen Sokoloff, Prosecuting Attorney		46,364	46,364
Bob Holder, Sheriff		42,120	42,120
Jack Adkins, County Coroner		8,000	8,000
Wanda Stamply, Public Administrator *		44,339	45,972
Jeris Warrington, Treasurer & Ex-Officio County Collector, year ended March 31, **	40,175	40,110	
Donna Abmeyer, County Assessor, year ended August 31,***		42,400	36,972

* Includes fees received from probate cases.
** Includes $147 and $81, respectively, of commissions collected from drainage districts.
*** Includes $900 annual compensation received from the state.

State-Paid Officials:			
Judith Vavak, Circuit Clerk		42,183	40,176
Daniel J. Crawford, Associate Circuit Judge		85,158	81,792
Perry J. Rhew, Associate Circuit Judge (Probate)			61,052
Mark Preyer, Associate Circuit Judge (Probate)			14,050
John Beaton, Associate Circuit Jiudge (Probate)		85,158	

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998 is as follows:

Office	Number of Employees Paid by County	Number of Employees Paid by State
Circuit Clerk	0	8
Recorder of Deeds	2	0
County Clerk*	4	0
Prosecuting Attorney	8	0
Sheriff*	20	0
Treasurer and Ex Officio County Collector*	2	0
County Assessor	6	0
Associate Division	0	4
Probate Division	0	2
Juvenile Office	6	0
Health Center	19	0
Custodian	1	0
Total	68	14

* Includes one part-time employee

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Dunklin County's share of the Thirty-Fifth Judicial Circuit's expenses is 53.4 percent.

AUDIT REPORT

RAY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-94
October 5, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ray, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Ray County included additional areas of county operations, as well as elected county officials. The following concerns were noted as part of the audit:

< During the two years ended December 31, 1998, the financial condition of the county's General Revenue Fund declined significantly from a cash balance of $253,964 at January 1, 1997, to $29,467 at December 31, 1998. The audit suggested the County Commission should continue to monitor the financial condition of the General Revenue Fund and consider how to increase revenues and/or reduce expenditures.

< Problems were noted with the county's budgets during the audit period. Formal budgets were prepared for only a few funds in 1997, and those that were prepared were incomplete and lacked required information. The budgets prepared in 1998 were in better condition, but problems were still noted. In addition, the County Commission approved expenditures in excess of budgeted amounts.

< The county did not prepare a complete and accurate schedule of expenditures of federal awards for each year of the audit period as required. Also, problems were noted regarding the county's handling of federal bridge funds. The county has not established procedures to ensure these federal monies are disbursed to contractors on a timely basis after being received. Payments totaling $261,789 were not made to the contractor on a timely basis. In addition, there was no documentation to indicate that the County Commission considered three engineering firms when procuring engineering services as required, nor did the county adequately monitor grant funds passed on to a special road district.

(over)

- The county entered into several agreements with citizen groups and other governmental entities related to funding to be provided by those parties for road work performed by the county. No written contracts were entered into to formalize these agreements. Also, the county has not established adequate procedures to account for the related project costs and reimbursements nor has a written policy been established regarding the handling of those special road projects. As a result, monies due from a city were not received by the county on a timely basis and a citizens group did not pay its proper share of project costs.

- The county did not solicit bids or maintain bid documentation related to various significant purchases. Contract work totaling $37,570 related to a federal flood project was not handled properly. Among various problems noted, only one bid proposal was obtained, a written contract was not entered into, and the work was not properly authorized or documented in the County Commission minutes.

- Various problems were noted regarding the Circuit Clerk's child support records and procedures including; an inadequate segregation of duties, receipts not always being recorded or deposited intact in a timely manner, and no periodic reconciliation of cash receipts to the cash deposited. As a result of these control weaknesses, a $300 cash shortage was not detected in a timely manner. Because of these matters, we are planning to further review additional receipt and deposit records.

Also included in the audit are recommendations for the County Clerk related to the county fixed asset records. Additional recommendations were made to improve the records and/or procedures of the Prosecuting Attorney, Noxious Weed Board, and Senate Bill 40 Board.

Copies of the audit are available upon request.

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RAY COUNTY, MISSOURI

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State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ray County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling $399,011 in receipts, and $350,626 in disbursements for the year ended December 31, 1997. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of the 1997 information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly,

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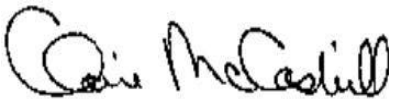
in all material respects, the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Ray County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 29, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ray County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date),
except for the event discussed in Note 4,
as to which the date is September 20, 1999

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ray County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ray County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial

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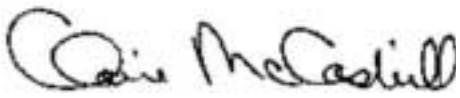
reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date),
except for the event discussed in Note 4,
as to which the date is September 20, 1999

Financial Statements

Exhibit A-1

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	135,627	1,875,216	1,981,376	29,467
Class III Road and Bridge		327,975	1,200,291	1,517,159	11,107
Assessment		120,238	193,028	201,282	111,984
Law Enforcement Training		4,594	4,767	4,181	5,180
Prosecuting Attorney Training		2,378	1,057	0	3,435
Special Road and Bridge Sales Tax		128,787	597,281	423,627	302,441
Noxious Weed		115,525	7,915	25,977	97,463
Prosecuting Attorney Delinquent Tax		1,271	1,587	0	2,858
Recorder's User Fees		9,119	18,317	15,245	12,191
Domestic Violence		3,447	2,886	3,072	3,261
Prosecuting Attorney Bad Check		5,910	20,290	23,632	2,568
Sheriff's Extradition		1,723	2,984	1,667	3,040
Sheriff's Account		17,284	54,861	61,878	10,267
Emergency 911		68,778	265,840	221,633	112,985
Records Grant		0	2,018	2,018	0
Chemical Emergency		0	4,810	4,810	0
Emergency Shelter		0	9,131	9,131	0
Sheriff's Post Certification Training		0	1,891	1,891	0
Senate Bill 40		177,749	314,107	432,693	59,163
Circuit Clerk Interest		6,227	1,890	2,150	5,967
Associate Circuit Division Interest		6,855	1,759	3,540	5,074
Total	$	1,133,487	4,581,926	4,936,962	778,451

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	253,964	1,819,418	1,937,755	135,627
Class III Road and Bridge		159,255	1,246,548	1,077,828	327,975
Assessment		90,895	202,507	173,164	120,238
Law Enforcement Training		5,559	4,931	5,896	4,594
Prosecuting Attorney Training		1,277	2,026	925	2,378
Special Road and Bridge Sales Tax		302,213	949,525	1,122,951	128,787
Noxious Weed		76,170	64,913	25,558	115,525
Prosecuting Attorney Delinquent Tax		6,251	2,820	7,800	1,271
Recorder's User Fees		16,728	13,178	20,787	9,119
Domestic Violence		3,651	2,860	3,064	3,447
Prosecuting Attorney Bad Check		11,182	23,763	29,035	5,910
Sheriff's Extradition		1,847	1,576	1,700	1,723
Sheriff's Account		9,661	28,046	20,423	17,284
Emergency 911		12,440	144,788	88,450	68,778
Chemical Emergency		568	861	1,429	0
Emergency Shelter		0	9,253	9,253	0
Sheriff's Post Certification Training		0	1,625	1,625	0
Senate Bill 40		48,057	332,970	203,278	177,749
Flood Disaster		3,000	170,195	173,195	0
Circuit Clerk Interest		5,746	1,750	1,269	6,227
Associate Circuit Division Interest		6,135	1,116	396	6,855
Total	$	1,014,599	5,024,669	4,905,781	1,133,487

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 3,000	3,084	84	2,800	3,041	241
Sales taxes	1,169,919	1,150,067	-19,852	1,005,550	1,094,465	88,915
Intergovernmental	223,571	143,681	-79,890	209,711	176,399	-33,312
Charges for services	438,082	384,389	-53,693	484,350	381,510	-102,840
Interest	17,500	10,801	-6,699	20,000	16,731	-3,269
Other	133,474	144,284	10,810	95,714	114,182	18,468
Transfers in	16,000	38,910	22,910	0	33,090	33,090
Total Receipts	2,001,546	1,875,216	#VALUE!	1,818,125	1,819,418	#VALUE!
DISBURSEMENTS						
County Commission	108,595	100,726	7,869	100,803	98,547	2,256
County Clerk	114,480	113,658	822	91,928	92,447	-519
Elections	40,795	32,159	8,636	25,372	22,721	2,651
Buildings and grounds	265,795	164,599	101,196	267,183	238,791	28,392
County Treasurer	31,610	30,300	1,310	30,619	28,044	2,575
County Collector	108,494	111,603	-3,109	117,461	109,669	7,792
Recorder of Deeds	84,637	84,086	551	86,079	87,841	-1,762
Circuit Clerk	15,954	13,722	2,232	26,125	18,592	7,533
Associate Circuit Court	34,027	36,860	-2,833	29,214	31,316	-2,102
Court administration	18,870	12,503	6,367	17,275	7,641	9,634
Law Library	8,000	6,948	1,052	8,000	6,915	1,085
Public Administrator	28,419	33,450	-5,031	27,858	30,297	-2,439
Sheriff	366,955	345,021	21,934	302,366	299,024	3,342
Jail	377,123	445,611	-68,488	369,731	364,232	5,499
Prosecuting Attorney	150,331	157,896	-7,565	169,491	164,794	4,697
Juvenile Officer	80,394	75,185	5,209	75,673	72,970	2,703
County Coroner	18,299	14,624	3,675	19,968	15,606	4,362
Planning and Zoning	71,872	48,243	23,629	58,682	65,367	-6,685
Agricultural Extension	32,000	32,000	0	40,257	31,200	9,057
Historical Society	11,950	24,450	-12,500	0	0	0
Public health and welfare services	19,479	19,575	-96	0	11,783	-11,783
Insurance and bonds	118,084	64,136	53,948	95,000	104,871	-9,871
Other	4,550	10,971	-6,421	4,550	24,450	-19,900
Emergency Fund	3,054	3,050	4	56,446	10,637	45,809
Total Disbursements	2,113,767	1,981,376	132,391	2,020,081	1,937,755	82,326
RECEIPTS OVER (UNDER) DISBURSEMENTS	-112,221	-106,160	#VALUE!	-201,956	-118,337	#VALUE!
CASH, JANUARY 1	124,269	135,627	11,358	236,531	253,964	17,433
CASH, DECEMBER 31	$ 12,048	29,467	#VALUE!	34,575	135,627	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CLASS III ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 350,000	392,990	42,990	356,500	367,967	11,467
Intergovernmental	766,480	742,293	-24,187	609,000	793,147	184,147
Interest	25,300	20,577	-4,723	11,500	22,307	10,807
Other	36,070	44,431	8,361	13,550	51,127	37,577
Transfers in	0	0	0	0	12,000	12,000
Total Receipts	1,177,850	1,200,291	22,441	990,550	1,246,548	255,998
DISBURSEMENTS						
Salaries	308,496	304,780	3,716	314,972	263,214	51,758
Employee fringe benefits	59,462	54,161	5,301	66,495	47,084	19,411
Supplies	134,404	104,820	29,584	156,500	138,759	17,741
Insurance	25,000	6,404	18,596	40,000	18,389	21,611
Road and bridge materials	452,000	564,121	-112,121	60,000	39,578	20,422
Equipment repairs	70,000	44,312	25,688	70,000	68,041	1,959
Rentals	780	912	-132	780	40	740
Equipment purchases	190,100	190,000	100	200,000	192,453	7,547
Construction, repair, and maintenance	50,000	27,586	22,414	65,000	78,655	-13,655
CART distributions to road districts	190,000	180,007	9,993	142,500	184,218	-41,718
Other	7,000	7,030	-30	10,500	14,307	-3,807
Transfers out	0	33,026	-33,026	0	33,090	-33,090
Total Disbursements	1,487,242	1,517,159	-29,917	1,126,747	1,077,828	48,919
RECEIPTS OVER (UNDER) DISBURSEMENTS	-309,392	-316,868	-7,476	-136,197	168,720	304,917
CASH, JANUARY 1	327,975	327,975	0	155,927	159,255	3,328
CASH, DECEMBER 31	$ 18,583	11,107	-7,476	19,730	327,975	308,245

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 188,762	182,349	-6,413	211,144	193,428	-17,716
Charges for services	0	1,414	1,414	0	1,481	1,481
Interest	0	9,265	9,265	6,250	7,598	1,348
Total Receipts	188,762	193,028	4,266	217,394	202,507	-14,887
DISBURSEMENTS						
Assessor	180,734	201,282	-20,548	216,811	173,164	43,647
Total Disbursements	180,734	201,282	-20,548	216,811	173,164	43,647
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,028	-8,254	-16,282	583	29,343	28,760
CASH, JANUARY 1	117,740	120,238	2,498	90,485	90,895	410
CASH, DECEMBER 31	$ 125,768	111,984	-13,784	91,068	120,238	29,170

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 12,863	4,767	-8,096	2,000	4,931	2,931
Total Receipts	12,863	4,767	-8,096	2,000	4,931	2,931
DISBURSEMENTS						
Sheriff	10,000	4,181	5,819	2,000	5,896	-3,896
Total Disbursements	10,000	4,181	5,819	2,000	5,896	-3,896
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,863	586	-2,277	0	-965	-965
CASH, JANUARY 1	4,594	4,594	0	5,559	5,559	0
CASH, DECEMBER 31	$ 7,457	5,180	-2,277	5,559	4,594	-965

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,000	1,057	-943	2,085	2,026	-59
Total Receipts	2,000	1,057	-943	2,085	2,026	-59
DISBURSEMENTS						
Prosecuting Attorney	2,000	0	2,000	2,085	925	1,160
Total Disbursements	2,000	0	2,000	2,085	925	1,160
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,057	1,057	0	1,101	1,101
CASH, JANUARY 1	2,378	2,378	0	1,277	1,277	0
CASH, DECEMBER 31	$ 2,378	3,435	1,057	1,277	2,378	1,101

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 555,000	558,540	3,540	570,000	547,590	-22,410
Intergovernmental	300,000	20,339	-279,661	300,000	387,940	87,940
Interest	14,500	16,861	2,361	12,600	13,995	1,395
Other	0	1,541	1,541	0	0	0
Total Receipts	869,500	597,281	-272,219	882,600	949,525	66,925
DISBURSEMENTS						
Distributions to road districts	487,000	182,321	304,679	157,500	186,495	-28,995
Road and bridge construction	507,000	235,422	271,578	575,000	511,588	63,412
Road and bridge materials	0	0	0	400,000	412,868	-12,868
Emergency	0	0	0	48,000	0	48,000
Transfers out	0	5,884	-5,884	0	12,000	-12,000
Total Disbursements	994,000	423,627	570,373	1,180,500	1,122,951	57,549
RECEIPTS OVER (UNDER) DISBURSEMENTS	-124,500	173,654	298,154	-297,900	-173,426	124,474
CASH, JANUARY 1	128,787	128,787	0	298,944	302,213	3,269
CASH, DECEMBER 31	$ 4,287	302,441	298,154	1,044	128,787	127,743

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NOXIOUS WEED FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 32,574	2,089	-30,485	51,115	58,659	7,544
Interest	0	5,826	5,826	0	6,254	6,254
Total Receipts	32,574	7,915	-24,659	51,115	64,913	13,798
DISBURSEMENTS						
Salaries	12,224	11,482	742	11,219	9,996	1,223
Supplies	11,700	6,059	5,641	2,000	12,971	-10,971
Equipment purchases and repairs	700	496	204	700	1,022	-322
Mileage and training	1,200	1,190	10	1,200	875	325
Insurance	6,000	6,000	0	0	0	0
Other	750	750	0	4,664	694	3,970
Total Disbursements	32,574	25,977	6,597	19,783	25,558	-5,775
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-18,062	-18,062	31,332	39,355	8,023
CASH, JANUARY 1	100,569	115,525	14,956	62,069	76,170	14,101
CASH, DECEMBER 31	$ 100,569	97,463	-3,106	93,401	115,525	22,124

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 2,300	1,587	-713
Total Receipts	2,300	1,587	-713
DISBURSEMENTS			
Prosecuting Attorney	2,300	0	2,300
Total Disbursements	2,300	0	2,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,587	1,587
CASH, JANUARY 1	1,271	1,271	0
CASH, DECEMBER 31	$ 1,271	2,858	1,587

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 21,030	18,317	-2,713
Total Receipts	21,030	18,317	-2,713
DISBURSEMENTS			
Recorder of deeds	7,554	15,245	-7,691
Total Disbursements	7,554	15,245	-7,691
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,476	3,072	-10,404
CASH, JANUARY 1	9,119	9,119	0
CASH, DECEMBER 31	$ 22,595	12,191	-10,404

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 3,100	2,886	-214
Total Receipts	3,100	2,886	-214
DISBURSEMENTS			
Domestic violence shelter	3,000	3,072	-72
Total Disbursements	3,000	3,072	-72
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	-186	-286
CASH, JANUARY 1	3,447	3,447	0
CASH, DECEMBER 31	$ 3,547	3,261	-286

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 25,000	20,290	-4,710
Total Receipts	25,000	20,290	-4,710
DISBURSEMENTS			
Prosecuting Attorney	25,000	23,632	1,368
Total Disbursements	25,000	23,632	1,368
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-3,342	-3,342
CASH, JANUARY 1	5,910	5,910	0
CASH, DECEMBER 31	$ 5,910	2,568	-3,342

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S EXTRADITION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 3,150	2,984	-166
Total Receipts	3,150	2,984	-166
DISBURSEMENTS			
Sheriff	1,000	1,667	-667
Total Disbursements	1,000	1,667	-667
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,150	1,317	-833
CASH, JANUARY 1	1,723	1,723	0
CASH, DECEMBER 31	$ 3,873	3,040	-833

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S ACCOUNT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 50,000	54,861	4,861
Total Receipts	50,000	54,861	4,861
DISBURSEMENTS			
Sheriff	67,000	61,878	5,122
Total Disbursements	67,000	61,878	5,122
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,000	-7,017	9,983
CASH, JANUARY 1	17,284	17,284	0
CASH, DECEMBER 31	$ 284	10,267	9,983

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Phone surtax	$ 211,111	178,972	-32,139
Interest	9,200	5,289	-3,911
Lease components	170,592	81,579	-89,013
Other	7,485	0	-7,485
Total Receipts	398,388	265,840	#VALUE!
DISBURSEMENTS			
Salaries and fringe benefits	30,765	30,566	199
Office expenses	7,200	6,539	661
Supplies	1,000	684	316
Building remodeling	34,248	42,096	-7,848
Equipment purchases and repairs	283,321	123,382	159,939
Mileage and training	7,200	4,543	2,657
Consultant expenses	12,174	12,174	0
Other	11,985	1,649	10,336
Total Disbursements	387,893	221,633	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,495	44,207	#VALUE!
CASH, JANUARY 1	68,778	68,778	0
CASH, DECEMBER 31	$ 79,273	112,985	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDS GRANT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 3,500	2,018	-1,482
Total Receipts	3,500	2,018	-1,482
DISBURSEMENTS			
Records restoration	3,500	2,018	1,482
Total Disbursements	3,500	2,018	1,482
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY SHELTER FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 12,500	9,131	-3,369
Total Receipts	12,500	9,131	-3,369
DISBURSEMENTS			
Emergency shelter	12,500	9,131	3,369
Total Disbursements	12,500	9,131	3,369
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S POST CERTIFICATION TRAINING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 3,250	1,891	-1,359
Total Receipts	3,250	1,891	-1,359
DISBURSEMENTS			
Sheriff	3,250	1,891	1,359
Total Disbursements	3,250	1,891	1,359
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 260,000	270,840	10,840	246,000	257,014	11,014
Intergovernmental	15,000	13,750	-1,250	20,000	18,434	-1,566
Interest	7,000	9,517	2,517	3,600	6,604	3,004
Repayment of loan	40,000	20,000	-20,000	10,000	38,817	28,817
Other	15,000	0	-15,000	25,000	12,101	-12,899
Total Receipts	337,000	314,107	-22,893	304,600	332,970	28,370
DISBURSEMENTS						
Sheltered workshop and residential services	414,550	432,693	-18,143	253,500	203,278	50,222
Total Disbursements	414,550	432,693	-18,143	253,500	203,278	50,222
RECEIPTS OVER (UNDER) DISBURSEMENTS	-77,550	-118,586	-41,036	51,100	129,692	78,592
CASH, JANUARY 1	177,749	177,749	0	48,057	48,057	0
CASH, DECEMBER 31	$ 100,199	59,163	-41,036	99,157	177,749	78,592

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Recorder's User Fees Fund	1997
Domestic Violence Fund	1997
Prosecuting Attorney Bad Check Fund	1997
Sheriff's Extradition Fund	1997
Sheriff's Account Fund	1997
Emergency 911 Fund	1997
Chemical Emergency Fund	1998 and 1997
Emergency Shelter Fund	1997
Sheriff's Post Certification Training Fund	1997
Flood Disaster Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Year Ended December 31,
Class III Road and Bridge Fund	1998
Assessment Fund	1998
Law Enforcement Training Fund	1997
Noxious Weed Fund	1997
Recorder's User Fees Fund	1998
Domestic Violence Fund	1998
Sheriff's Extradition Fund	1998
Senate Bill 40 Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Circuit Clerk Interest Fund and the Associate Circuit Division Interest Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral

securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1998, $2,417,235 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and $3,713,125 was covered by collateral held by the pledging (or depositary) bank, or by its trust department or agent but not in the county's name, and $665,708 was uninsured and uncollateralized.

The county's deposits at December 31, 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Senate Bill 40 Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the custodial bank in the board's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $354,088 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $169,462. As of December 31, 1998, $63,550 remains to be paid.

4. Subsequent Event

In September 1999, various former and current employees of the Ray County Sheriff's department filed a lawsuit in federal court against the Sheriff, the County Commission, and Ray County alleging various improprieties, including assault and battery, emotional distress, wrongful discharge, and uncompensated overtime and other wages, among others. The plaintiffs are asking for damages in excess of $4 million from both the county and the Sheriff. The potential liability to the county cannot be determined at this time.

Supplementary Schedule

Schedule

RAY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	N/A	$ 154	226
	Department of Health -			
10.6	Special Supplemental Nutrition Program	ERO045-9189	93,275	0
	for Women, Infants, and Children	ERO045-8189	0	98,995
	Program Total		93,275	98,995
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Social Services -			
14.2	Emergency Shelter Grants Program	ERO164	9,131	9,253
	U.S. DEPARTMENT OF JUSTICE			
	Direct program:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	107,383	82,359
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and	BRO-089(10)	9,323	220,586
	Rehabilitation Program	BRO-089(11)	0	11,801
		BRO-089(15)	70,761	181,002
	Program Total		80,084	413,389
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	3,035	1,938
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety -			
83.5	Emergency Management - State and Local	1253-DR-MO	74,420	0
	Assistance	1054-DR-MO	0	9,117
	Program Total		74,420	9,117
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			

	Passed through state:				
	Department of Health -				
93.3	Immunization Grants	PG0064-9189		6,380	0
		PG0064-8189		0	5,237
	Program Total			6,380	5,237
	Department of Social Services -				
93.6	Child Support Enforcement	N/A		8,165	10,054
	Department of Health -				
93.6	Child Care and Development Block Grant	PG0067-9189		3,350	187
::					
93.7	Department of Mental Health -				
	Temporary Child and Crisis Nurseries	ERO0147727		0	15,536
	Department of Health -				
94.0	Maternal and Child Health Services				
	Block Grant to the States	ERO146-8189		15,078	19,383
	Total Expenditures of Federal Awards		$	400,455	665,674

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

RAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ray County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 1998	1997
14.231	Emergency Shelter Grants Program	$9,131	9,253
20.205	Off-System Bridge Replacement and Rehabilitation Program BRO-089(15)	70,761	181,002

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ray County, Missouri

Compliance

We have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Ray County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

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with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-2 through 98-3.

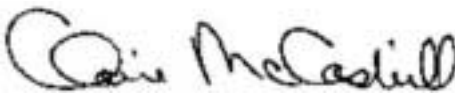
Internal Control Over Compliance

The management of Ray County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date),
except for the event discussed in Note 4
to the Financial Statements, as to which

the date is September 20, 1999

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness identified? X yes _____ no

Reportable condition identified that is not considered to be a material weakness? _____ yes X none reported

Noncompliance material to the financial statements noted? X yes _____ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes X no

Reportable condition identified that is not considered to be a material weakness? X yes _____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? X yes _____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
16.710	Public Safety Partnership and Community Policing ("COPS") Grants

20.205 Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Budgetary Practices

Problems were noted regarding the budgets prepared by the county during the audit period. The budget documents prepared by the County Clerk for the year ended December 31, 1997, were inadequate. Formal budgets were prepared only for a few funds and those that were submitted were not complete and lacked required information. For example, the budgets prepared for some county funds did not present a summary and cash reconciliation page and actual expenditures for the two preceding years were not presented. In addition, the expenditures portion of the budgets was not properly classified for several county funds. Because of the problems noted above, budget to actual financial information for a number of county funds could not be presented for the year ended December 31, 1997.

The initial budget documents prepared by the County Clerk and submitted to the State Auditor's office for the year ended December 31, 1998, were also not accurate and complete and the county was requested to prepare and resubmit a corrected 1998 budget. These budget documents were in better condition than those prepared for 1997, but problems were still noted. For example, a miscellaneous fund budget was prepared combining a number of funds together, with the revenues, expenditures, and cash balances not properly detailed by fund. In addition, they contained budget information for several funds for which budgets were not required.

Chapter 50, RSMo, requires the preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining accurate and complete budgets for all funds, the County Commission can evaluate all county resources more effectively.

The budget documents prepared for the year ending December 31, 1999, showed improvement and appeared to have corrected many of the problems noted in the 1998 budget documents.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the County Commission and the County Clerk continue to ensure budgets are complete and accurate and include all required information as provided by state law.

AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN

The County Commission and County Clerk concur, and the County Clerk indicated he will make every effort to ensure the budget for the year 2000 is complete and accurate. The County Clerk indicated that for several of these funds in 1997, budget forms were provided to various officials for completion; however, the budget forms were not completed and returned.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-2. Schedule of Expenditures of Federal Awards

Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: Not applicable
Federal CFDA Number: 16.710
Program Title: Public Safety Partnership and Community Policing ("Cops") Grants
Pass-Through Entity Identifying Number: Not applicable
Award Year: 1995
Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program Pass-Through Entity Identifying Number: BRO-089(10), BRO-089(11), and BRO-089(15)
Award Years: 1998 and 1997
Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's office as a part of the annual budget.

The county does not have a procedure in place to track federal assistance for preparation of the SEFA. The county did not prepare and submit a SEFA to the State Auditor's office for the year ended December 31, 1997. The county did prepare and submit a SEFA to the State Auditor's office for the year ended December 31, 1998; however, it was inaccurate and incomplete. The 1998 SEFA reported only $347,533 in total federal assistance with inaccurate amounts presented for some programs and nothing presented for other programs.

Without an accurate and timely SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN

The County Clerk indicated he will make every effort to ensure the 1999 SEFA submitted with the year 2000 budget is complete and accurate; however, he will need the assistance and cooperation of other county officials.

98-3. Federal Bridge Program

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity Identifying Number: BRO-089(10), BRO-089(11), and BRO-089(15)
Award Year: 1998 and 1997
Questioned Costs: $22,386

The county receives funding from the Missouri Department of Transportation for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. During the two years ended December 31, 1998, a total of $493,473 was either expended directly by the county or passed-through to a special road district under this program. Our review noted the following concerns:

A. The county has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such monies to contractors. We noted 5 reimbursements totaling $261,789 where payment was not made to the contractor on a timely basis as follows:

	Amount	Date Received	Date Paid	Number of Days Held
$	80,624	7-10-97	7-23-97	12
	71,573	7-16-97	7-23-97	6
	45,441	8-04-97	9-15-97	41
	27,797	8-12-97	9-15-97	33
	36,354	9-08-97	9-15-97	6

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to their disbursement.

B. The county incurred $22,386 in engineering costs related to the applicable county bridge projects during the audit period. These expenditures were all made to the same engineering firm. There was no documentation to indicate that the County Commission considered other engineering firms when procuring these services.

Sections 8.289 and 8.291, RSMo, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have presented the $22,386 as questioned costs.

C. Ray County received federal bridge monies totaling $251,763 during the audit period on behalf of the Richmond Special Road District. These monies were initially received by the county and passed on to the road district by endorsing the checks directly over to the district.

As the grant recipient, Ray County assumed responsibility for these grant monies. OMB Circular A-133 requires grant recipients to provide subrecipients the applicable federal compliance requirements and monitor the subrecipients activities to provide reasonable assurance that the subrecipients administer the federal awards in compliance with requirements. However, it appears the county did not perform adequate monitoring procedures related to these grant funds to ensure the monies were administered properly and in compliance with grant requirements.

The county should ensure any grant funds passed on to subrecipients are properly monitored as required by OMB Circular A-133. In addition, good management practices dictate that grant monies be receipted, deposited, and disbursed by check.

WE RECOMMEND the County Commission:

A. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

B. Resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.

C. Ensure grant monies distributed to subrecipients are properly monitored as required by OMB Circular A-133. In addition, grant monies received by the county should be receipted and deposited and disbursed by check to the applicable parties.

AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN

A. The County Commission concurs and indicated that in the future, federal funds will be disbursed within two working days.

B. The County Commission indicated it believes three engineering firms were considered; however, in the future, it will ensure this is documented in the project files. In addition, the County Commission indicated it will make every effort to resolve the questioned costs.

C. The County Commission concurs with the recommendation; however, the County Commission indicated it is unlikely any future BRO funds will be distributed to special road districts.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

4.A.1. Federal Financial Assistance

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.219
Program Title:	Community Development Block Grants/Small Cities Program
Pass-Through Entity Identifying Number:	94-DR-72
Award Year:	1996
Questioned Costs:	Not applicable.

The county applied for and received a Community Development Block Grant on behalf of a drainage and levee district in the county involving grant expenditures of $388,300 in 1996. While an administrative agency was primarily responsible for overseeing the handling of this grant and preparing the requests for funds, the County Commission was responsible for approving and submitting the requests for funds to the granting agency and authorizing the payments to the applicable contractors. The County Commission did not review the expenditure documentation to support the reimbursement requests.

Recommendation:

The County Commission adequately review supporting documentation for all expenditures prior to approving reimbursement requests and monitor subrecipient expenditures.

Status:

No monies were received or disbursed under this federal program during the years ended December 31, 1998 and 1997.

4.A.2. Federal Financial Assistance

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Social Services
Federal CFDA Number:	14.231
Program Title:	Emergency Shelter Grants Program
Pass-Through Entity Identifying Number:	Not applicable
Award Year:	1995
Questioned Costs:	Not applicable

The county entered into a grant agreement pursuant to the Emergency Shelter Grants Program. Monies related to this grant totaling $16,804 were passed through to a not-for-profit entity. The county did not monitor how the monies were used or review the audits obtained by this entity. In addition, copies of the expenditure documentation to support the reimbursement requests were not maintained by the county as required by the contract.

Recommendation:

The County Commission adequately review supporting documentation for all expenditures prior to approving reimbursement requests and monitor subrecipient expenditures. In addition, the county should ensure copies of expenditure documentation is properly maintained if required by the grant contract(s).

Status:

Implemented.

4.A.3. Federal Financial Assistance

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.588
Program Title:	Domestic Violence Project Protect
Pass-Through Entity Identifying Number:	95-VAWA-0018
Award Year:	1996
Questioned Costs:	Not applicable.

The county entered into a grant agreement pursuant to the Project Protect Program. Monies related to this grant totaling $25,190 were passed through to a not-for-profit entity. The county did not monitor how the monies were used or review the audits obtained by this

entity. In addition, copies of the expenditure documentation to support the reimbursement requests were not maintained by the county as required by the contract.

Recommendation:

The County Commission adequately review supporting documentation for all expenditures prior to approving reimbursement requests and monitor subrecipient expenditures. In addition, the county should ensure copies of expenditure documentation is properly maintained if required by the grant contract(s).

Status:

Implemented.

4.B. Federal Financial Assistance

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.516
Program Title:	Disaster Assistance
Pass-Through Entity Identifying Number:	FEMA-DR-1054-MO
Award Year:	1996
Questioned Costs:	$58,736

The County received federal funding through the State Emergency Management Agency (SEMA) to clean-up and repair roads damaged by flooding. In 1994, the county paid a contractor for flood clean-up services. There was no documentation to indicate that bids were advertised or solicited for these services. As a result of this situation, $58,736 in grant expenditures was included on the Schedule of Questioned Costs. In addition, in 1995 the county solicited bids on various types of rock, but the amounts charged the county for some types of rock on projects reviewed did not agree to the bid price. The total amount of overcharges for rock on these projects was $1,116.

Recommendation:

Ensure bids are solicited related to grant expenditures and work with the applicable grantor agency to resolve the amount presented on the Schedule of Questioned Costs. In addition, the county should follow-up on the overcharges noted above with the applicable supplier.

Status:

Implemented. The amount of questioned costs was resolved with the grantor agency, with no monies required to be repaid. In addition, the overcharges were subsequently credited by the supplier against other purchases made.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

RAY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999. We also have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Ray County Memorial Hospital Board and Ray County Health Center Board are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers for the years ended October 31, 1998 and 1997, for the Ray County Memorial Hospital Board, and December 31, 1998 and 1997, for the Ray County Health Center Board.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Ray County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Financial Condition

During the two years ended December 31, 1998, the financial condition of the county's General Revenue Fund declined significantly compared to the condition of the fund at the end of the prior audit period. During the years ended December 31, 1998 and 1997, disbursements exceeded receipts by $106,160 and $118,337, respectively, resulting in the balance of the General Revenue Fund dropping from $253,964 at January 1, 1997, to $29,467 at December 31, 1998.

The increase in expenditures was mainly due to salary increases to officials and employees, improvements to the courthouse building and grounds, and an increase in expenses in the budget of the Sheriff's Department and jail (which included dispatching costs related to the Emergency 911 operation). The county's financial condition was also impacted by the required refund of over $100,000 in local use tax monies during the current audit period.

The county's budget document for the year ending December 31, 1999, projected an increase in the General Revenue Fund cash balance by over $8,300 compared to the balance at December 31, 1998. The County Commission should continue to monitor the financial condition of this fund and consider how revenues might be increased and/or expenditures reduced.

WE RECOMMEND the County Commission continue to monitor the financial condition of the General Revenue Fund and consider ways of increasing revenues and/or reducing expenditures.

AUDITEE'S RESPONSE

The County Commission concurs and indicated it believes the county's financial condition will improve now that the use tax liability has been repaid and because sales tax revenues have increased.

2. County Expenditures

A. The County Commission approved expenditures in excess of budgeted amounts in various funds during the two years ended December 31, 1998, as follows:

Fund		Year Ended December 31, 1998	1997
Class III Road and Bridge	$	29,917	N/A
Assessment		20,548	N/A
Law Enforcement Training		N/A	3,896
Recorder's User Fees		7,691	N/A
Domestic Violence		72	N/A
Sheriff's Extradition		667	N/A

It appears this situation occurred because the county did not adequately monitor the actual expenditures compared to the budget amounts and failed to properly amend the budgets when it became apparent the budgeted amounts would be exceeded.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget was approved, including holding public hearings and filing the amended budget with the State Auditor's office.

B. The county did not solicit bids or maintain bid documentation related to various significant purchases. These purchases include the following:

	Amount
911 generator	$ 8,395
Repair of gas furnace at jail	8,305
911 communication equipment service	7,100
Planning and zoning computer	7,078
Restoration of Recorder's records	5,671
County Clerk's computer	4,532

Additionally, it was noted that the Sheriff made food purchases of $32,286 and $27,888 in 1998 and 1997, respectively, from one vendor without soliciting bids. County officials indicated that bids were solicited for some of these purchases, but only one bid was received; however, these situations were not adequately documented.

Section 50.660, RSMo Cum. Supp. 1998, requires bids for all purchases greater than $4,500 from any one person, firm or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are followed.

C. In addition to the expenditures noted above, in November 1998 county officials authorized contract work totaling $37,570 related to a flood project based only upon one bid proposal obtained. According to county officials, the county did not obtain bids from more than one contractor because the project was considered to be an emergency by the former local Federal Emergency Management Agency (FEMA) project coordinator. It appears this work was not properly authorized by the County Commission, was not documented in the commission minutes, nor did the county enter into a written contract with the applicable contractor. In addition, it appears this work was done partially on private property rather than entirely on county right-of-way. It appears the county proceeded with this project based solely on the verbal authorization of the FEMA official and did not obtain written approval from FEMA before the work was started. The county paid $37,570 to the contractor for this work on December 21, 1998.

   In 1999, it was determined by FEMA that the project was not eligible for federal reimbursement and the county's reimbursement claim has initially been denied. However, the county is currently pursuing recovery of reimbursements related to this project.

D. During the two years ended December 31, 1998, the county distributed a portion of its County Aid Road Trust (CART) revenues and road and bridge sales tax revenues to the six special road districts within the county. Payments totaling $364,225 and $368,816 were made from the Class III Road and Bridge Fund and Special Road and Bridge Sales Tax Fund, respectively, to the special road districts during this period. These payments were made without proper written contracts being prepared. Written statements were obtained from three of the road districts in 1998 regarding how the monies were to be used; however, such statements do not constitute proper contracts and were not signed by the County Commission.

   There appears to be no statutory authority for the County Commission to make these distributions to the special road districts without some type of contractual agreement. Written agreements would help ensure that monies distributed to other entities are expended in compliance with constitutional and statutory provisions and as intended by the County Commission.

Conditions similar to A. and D. were also noted in the previous audit report.

WE RECOMMEND the County Commission:

A. Keep expenditures within the amounts budgeted. If additional expenditures are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.

B. Solicit bids for all expenditures in excess of $4,500 as required by state law and retain documentation of these bids and justification for bid awards.

C. Continue to pursue the possible recovery of federal reimbursements related to the applicable project. Also, the county should ensure such a situation does not reoccur. This would include ensuring written authorization to proceed has been received from the applicable grantor agency and that all grant requirements have been met. Further, written contracts should be entered into for any contracted work and bids should be solicited to the extent possible.

D. Enter into proper written contracts, which specifically state what services are to be provided to the county, for any distribution of CART or road and bridge sales tax monies to the special road districts.

AUDITEE'S RESPONSE

A&D. The County Commission concurs.

B. The County Commission indicated it will solicit bids as recommended unless the expenditure is an emergency expenditure on the roads. In those instances, the circumstances will be documented.

C. The County Commission indicated that it appealed FEMA's denial of the claim and has been successful in getting this project approved for reimbursement. However, the County Commission concurs with the recommendation and indicated that projects involving emergencies will be properly documented in the future and that the contracted costs will not be paid until after the reimbursements are received. In addition, while a portion of the work was done on private property, this was done to stabilize the river banks to prevent future occurrences.

3. Special Road Projects

The county entered into several agreements with citizen groups and other governmental entities related to work performed on various roads in the county. We noted the following concerns during our review of this situation.

A. All of the special road projects entered into by the county were based upon verbal agreements. No written contracts were entered into to formalize these agreements.

Section 432.070, RSMo 1994, requires all contracts be in writing. Written agreements should clearly specify the services to be rendered, the amount of compensation to be paid by the respective parties, and the manner in which the citizens or other entities should pay

their required share. Such written contracts lessen the opportunity for misunderstandings between the parties involved.

B. The county has not established adequate procedures to account for the related project costs and reimbursements nor has a written policy been established regarding the handling of special road projects or to clarify when other entities or citizens will be asked to pay a portion of the costs of road projects. According to the County Commission, highly traveled roads will be paved solely at the county's expense. Other entities or citizens wishing to have other roads paved which are not heavily traveled will possibly be asked to pay a portion of the costs.

The county should establish adequate procedures to account for the project costs and reimbursements. In addition, a written policy regarding the handling of road projects would help clarify the commission's intent regarding such projects and help ensure they are handled in a consistent manner.

C. In 1996, the county entered into an agreement with a citizens group and a city to chip and seal a particular road. The citizens group agreed to pay one-half of the total costs and the city and county agreed to pay the remainder. Our review noted that the county paid the contractor and received payment from the citizens' group; however, the county had not received the city's share of the costs ($2,633) at the time of our review. It is apparent the county did not properly monitor this project to ensure all amounts due the county were properly collected.

After we brought this matter to the attention of the county, the city was contacted regarding the amount owed. A $2,633 payment from the city was subsequently received by the county in April 1999. The county should ensure all payments due the county from similar projects are received in a timely manner.

D. In 1997, a citizens group and the county entered into an agreement to equally share the cost of chipping and sealing several roads in a particular subdivision. The project work began in the fall of 1997 and was not completed until the fall of 1998. The county did not require the citizens group to reimburse the county for its portion of the costs until after the project was completed.

The total cost of the project was $62,470 or $31,235 each for the citizens group and the county. However, the citizens group raised only $25,707. In addition, two checks from citizens totaling $1,000 were returned by the bank because of insufficient funds. As a result, the county paid an additional $6,528 on this project which was the responsibility of the citizens group.

The county should ensure its interests are protected on future projects such as this. The county should consider requiring that portion of the costs to be reimbursed by outside

parties be received before the road project is started. By not receiving the full amount of costs due on such road projects, the county must contribute more than intended.

WE RECOMMEND the County Commission:

A. Ensure arrangements such as this are formalized in written contracts as required by state law.

B. Ensure adequate procedures are established to account for the project costs and reimbursements and adopt a formal policy regarding the handling of road projects and clarifying when other entities or citizens may be asked to pay a portion of the costs.

C. Ensure that all amounts owed the county are collected in a timely manner.

D. Take steps to ensure outside parties properly pay their share of costs related to such road projects. The Commission should consider requiring these parties to contribute their share of the costs before the road project is started.

AUDITEE'S RESPONSE

A-C. The County Commission concurs.

D. The County Commission concurs with the recommendation, however, it indicated efforts are still being made to collect the amounts owed.

4. General Fixed Asset Records and Procedures

A. The county's general fixed asset records have not been kept current. Additions and deletions have not been reflected in the records on a perpetual basis. In addition, an annual inspection and inventory of all personal property items owned by the county and quarterly inspections of county-owned land and buildings were not performed by the County Clerk as required by Section 51.155, RSMo Cum. Supp. 1998.

Fixed asset records should be kept and maintained on a perpetual basis to ensure historical information, particularly the cost of the assets, is not lost and to ensure the continuity of the records. In addition, an inspection and inventory of the property items would help verify the accuracy of the records and detect any missing items.

B. The Sheriff maintains some county-owned assets at his personal residence, including two boats with motors, two boat trailers, two trucks, and a passenger van. The items are stored at the Sheriffs's farm because the county lacks adequate storage. The county does

not maintain any detailed record of the assets stored by the Sheriff, nor does the county receive reports on the usage of these assets.

The county should prepare a record of the assets stored at the Sheriff's personal residence, and compare that record to a physical inventory on an annual basis. This will provide more assurance that all county assets stored by the Sheriff are adequately accounted for and help reduce the possibility of theft, loss, or misuse. In addition, periodic reports showing the date used and purpose of use are necessary to ensure that the assets are used appropriately.

C. Information presently recorded in the general fixed asset records is incomplete. The records do not generally include an identification number; serial number, where appropriate; date of acquisition; source of acquisition by fund; and the date and method of disposition, if applicable. In addition, actual or estimated costs for some items were not included.

D. While it appears the County Clerk has tagged many road and bridge items belonging to the county, many other county general fixed asset items are still not numbered, tagged, or otherwise identified as county property.

While it appears some improvement has been made in the county's general fixed asset records, further improvements are needed. Adequate general fixed asset records are necessary to meet statutory requirements, secure better internal control over county property, and provide a basis for determining proper insurance coverage.

These conditions were similarly noted in the previous report.

WE AGAIN RECOMMEND the County Clerk:

A. Bring the general fixed asset records up-to-date and maintain them on a perpetual basis by reflecting all fixed asset additions and retirements as they occur. In addition, an annual inspection and inventory of county-owned personal property and quarterly inspections of county owned land and buildings should be performed as required by statute.

B. Prepare and maintain a record of all county assets stored at the Sheriff's residence and periodically compare that record to a physical inventory of the assets. In addition, reports detailing the date and purpose of the use of the assets should also be received on a periodic basis.

C. Include the following information in the general fixed asset records for each item:

1) Identification number;

2) Description of the item to include name, make, model, and serial number, where appropriate;
3) Physical location in sufficient detail to readily locate the item;
4) Date of acquisition;
5) Original cost and current market value;
6) Source of acquisition by fund; and,
7) Date and method of disposition, if applicable.

D. Identify all general fixed asset items with an original cost of $250 or more with a number, tag, or similar device.

AUDITEE'S RESPONSE

The County Clerk indicated he will consider these recommendations; however, House Bill 402, which was recently passed and signed, has changed the county clerk's responsibilities related to county fixed assets and some duties are now the responsibility of other officials. The County Clerk indicated he would comply with the provisions of this new legislation.

5. Meal Expenses Paid From Bad Check Fund

Former Prosecuting Attorney Lehnen and his staff spent approximately $3,291 and $1,753 in 1998 and 1997, respectively, for meals and travel expenses while attending training seminars. In the prior audit, we reported that former Prosecuting Attorney Lehnen had claimed travel expenses which appeared unreasonable, excessive, and/or not supported by adequate documentation. During the current audit, we again noted problems in this area. Meal expenses paid to the former Prosecuting Attorney or to his employees did not always have adequate supporting documentation. For example, in August 1997, two dinner charges totaling $401 were claimed by the former Prosecuting Attorney while attending a two day training session at the Lake of the Ozarks. The documentation to support these charges consisted of credit card receipts, with no documentation of the individuals served or the detailed charges incurred. During 1997 and the first two months of 1998, other instances were noted where meal expenses claimed exceeded the county's policy of $31 per day. In addition, not all meal expenses had supporting documentation as required by the county's policy.

In March 1998, former Prosecuting Attorney Lehnen established a formal travel policy for his office. This policy allowed himself and each of his employees a meal allowance of $65 per day while attending training seminars without any receipts or other supporting documentation being required. This policy was not in accordance with the county's policy as noted above. From March 1998 through December 1998, meal expenses totaling $1,950 were paid at this per diem rate with no supporting documentation submitted to support the claims. It appears the total daily meal

allowance was paid to employees even on the days when the individuals were traveling to and from seminars.

To ensure meal expenses are reasonable, the travel expenses claimed should be paid in accordance with the county's policy and be supported by adequate supporting documentation. If circumstances warrant additional meal expenses, the circumstances should be documented.

WE RECOMMEND the current Prosecuting Attorney ensure all travel expenses claimed for reimbursement are adequately documented and are in accordance with the county's travel policy. If additional expenses are deemed necessary, the circumstances should be documented.

AUDITEE'S RESPONSE

The current Prosecuting Attorney concurs and indicated he is following the county travel policy and provides supporting documentation as required.

Former Prosecuting Attorney Lehnen indicated the expenditures made prior to March 1998 were made prior to the release of the prior audit report and prior to the associated conferences with the auditors. In March 1998, a new policy was established which he believed met the State Auditor's requirements.

6. Circuit Clerk Child Support Records and Procedures

The child support division processed approximately $2.5 million annually in child support payments during the two years ended December 31, 1998. The child support division receives payments through the mail and over-the-counter. A prenumbered receipt slip is to be issued for all over-the-counter receipts and the receipts are to be recorded in a one-write ledger. All transactions (both those received over-the-counter and by mail) are to be recorded on the Missouri Automated Child Support System (MACSS). The MACSS reports identify the mode of payment as cash, check, or money order. The receipt amounts on these reports are then agreed to the daily deposits. During our review of the records and procedures surrounding the handling of child support receipts, we noted the following concerns:

A. Accounting duties were not adequately segregated. One child support clerk was responsible for receiving, recording, depositing, and disbursing the child support monies. She was also responsible for reconciling the bank account until September 1998, when the OSCA began performing these reconciliations. In addition, it appears the Circuit Clerk did not perform a periodic review of the cash receipt and disbursement functions in this office nor review the monthly bank reconciliations.

   Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by

segregating the duties of receiving and depositing receipts from the recording and reconciling duties. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented, which should include a review of the monthly bank reconciliations.

B. Receipts were not always recorded on the MACSS system or deposited intact in a timely manner. During a cash count performed on March 31, 1999, there was $1,900 in cash and checks on hand, representing about twenty transactions, which had not been recorded on the MACSS system. According to the child support clerk, these monies had not been recorded and deposited because a case had not yet been established. While most of these monies were received in 1999, in one case it appears the monies had been held for almost 2 years. In addition, a number of the checks had not been restrictively endorsed. After we brought this matter to the attention of the Circuit Clerk, these monies were promptly recorded and deposited. These monies could have been deposited earlier had the circumstances been discussed with the office of State Courts Administrator (OSCA) on more timely basis.

All receipts should be recorded on the MACSS system and be deposited intact on a timely basis to ensure that all monies received are accounted for properly. In addition, checks should be restrictively endorsed immediately upon receipt.

C. The numbers assigned to the prenumbered receipt slips used to record over-the-counter receipts are not recorded on the one-write ledger. Consequently, the numerical sequence of the receipt slips issued is not accounted for properly.

The proper recording and accounting for prenumbered receipt slips is necessary to ensure that all monies are properly handled.

D. Although total receipts recorded on the MACSS system were agreed to total deposits on a daily basis, cash receipts received over-the-counter and recorded on the one-write ledger were not reconciled to the amount of cash deposited per MACSS reports. The lack of this control allowed a $300 shortage to occur (related to a cash transaction received on October 1, 1998) and not be detected in a timely manner. It was not discovered that these monies were missing until the middle of November 1998, when the individual who made the payment appeared in court. The monies have been reimbursed from the Circuit Clerk's interest account.

The composition (cash and checks) of recorded receipts should be reconciled to the composition of deposits on a periodic basis to ensure all receipts are handled properly.

The Missouri State Highway Patrol (MSHP) was contacted regarding this shortage in November 1998, and its investigation of these missing monies continues. Because of this

matter and the internal control weaknesses noted above, we are planning to further review additional receipt and deposit records.

WE RECOMMEND the Circuit Clerk:

A. Adequately segregate the duties of receiving, recording, depositing, and disbursing child support monies. At a minimum, the Circuit Clerk should perform a documented review of these functions on a periodic basis, including a review of the monthly bank reconciliations.

B. Ensure that all monies are recorded on the MACSS system and deposited intact in a timely manner. In addition, checks should be restrictively endorsed immediately upon receipt.

C. Ensure the receipt slip numbers are recorded on the one-write ledger and that their numerical sequence is accounted for properly.

D. Ensure the composition of recorded receipts is reconciled to the composition of deposits on a periodic basis.

In addition, the Circuit Clerk should continue to cooperate with the MSHP in its investigation of the missing monies.

AUDITEE'S RESPONSE

A-D. The Circuit Clerk concurs and indicated she will take steps to address all of these recommendations.

7. Noxious Weed Board

A. The Noxious Weed Board authorized expenditures of $5,775 in excess of the approved budget for the year ended December 31, 1997. There was no budget amendment filed to authorize these additional expenditures, nor was there documentation maintained noting the circumstances for exceeding the budget. It appears this occurred because the board did not effectively monitor the budget.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made in accordance with Section 50.622, RSMo Cum. Supp. 1998, following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

B. Mileage reimbursements were made to one Noxious Weed Board member during the two years ended December 31, 1998. The mileage claims totaled $1,035 and $763 for 1998 and 1997, respectively. The mileage claims were for a one year period and only detailed the total miles driven by month. The claims submitted did not indicate the miles traveled by date, the location visited, or purpose of trip.

To ensure the validity and propriety of mileage reimbursements, the reimbursement claims should be submitted on a timely basis and be supported by adequate documentation. An itemized report should be required indicating the miles traveled by date, the nature of the business, and the locations traveled.

C. A 1997 chemical purchase of $11,956 was not supported by adequate bid documentation. A board member indicated that phone bids were solicited related to this purchase; however, no documentation of this was retained.

Section 50.660, RSMo Cum. Supp. 1998, requires advertisement of bids for all purchases in excess of $4,500. Bidding procedures for major purchases provide a framework for economical management of available resources and help ensure fair value is received by contracting with the lowest and best bidder. Documentation of the bids received should be retained.

A condition similar to B. was also noted in the prior report.

WE RECOMMEND the Noxious Weed Board:

A. Keep expenditures within the amounts budgeted. If additional expenditures are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.

B. Ensure all mileage reimbursement claims are submitted on a timely basis and are supported by adequate documentation.

C. Advertise bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the board should retain documentation of these circumstances.

AUDITEE'S RESPONSE

A-C. The Noxious Weed Board concurs.

8.	**Senate Bill 40 Board Budgetary Practices**

The Senate Bill 40 Board of Directors approved expenditures of $18,143 in excess of the approved budget for the year ended December 31, 1998. There was no amended budget filed to authorize these additional expenditures, nor was there documentation maintained noting the circumstances for exceeding the budget. It appears this situation occurred because the board did not amend the budget when it became apparent the budget would be overspent.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made in accordance with Section 50.622, RSMo Cum. Supp. 1998, following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

A similar condition was also noted in the prior report.

WE AGAIN RECOMMEND the Senate Bill 40 Board keep expenditures within the amounts budgeted. If additional expenditures are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.

AUDITEE'S RESPONSE

The Senate Bill 40 Board President concurs and indicated amended budgets will be prepared and submitted in the future.

This report is intended for the information of the management of Ray County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

RAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ray County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 4. is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary, Reporting, and Accounting Practices

A.1. Disbursements exceeded budgeted amounts in various funds.

2. Formal budgets were not prepared or obtained for all funds. In addition, some budgets were not always complete and accurate.

3. A consolidated budget for the Class III Road and Bridge Fund and the Special Road and Bridge Sales Tax Fund was prepared. As a result, the County Commission unknowingly approved a projected deficit fund balance for the Special Road and Bridge Sales Tax Fund at December 31, 1996.

4. Formal budgets were prepared for only a few funds for the year ended December 31, 1997, and those that were submitted were not complete and lacked information.

B. Differences noted between the records of the County Clerk and the County Treasurer were not adequately investigated and corrected.

C. The annual published financial statements did not include the financial activity of all county funds.

Recommendation:

The County Commission:

A.1. Keep expenditures and transfers between funds within the amounts budgeted. If additional disbursements are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.

2. Ensure complete and accurate budgets for all county funds are prepared or obtained.

3. Ensure separate budgets are prepared for the Class III Road and Bridge Fund and Special Road and Bridge Sales Tax Fund and ensure deficit budgeting does not occur.

4. Ensure future budgets are complete and include all required information as provided by statute.

B. Ensure the County Clerk and County Treasurer reconcile their records on a periodic basis and investigate any differences noted.

C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A.1. Not implemented. Expenditures exceeded budgeted amounts in several county funds during 1997 and 1998. See MAR No. 2.

2&4. Partially implemented. Complete and accurate budgets were not prepared for 1997. The 1998 budgets were in better condition but were not fully complete and accurate. See finding number 98-1.

3. Implemented.

B. Partially implemented. The County Clerk and Treasurer now reconcile their records monthly and improvements have been made in this area. However, some differences were still noted between the County Treasurer's records and amounts presented on the budgets by the County Clerk for a few funds. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Not implemented. Financial information for the Circuit Clerk and Associate Circuit Division interest funds were still not presented in the published financial statements for 1997 and 1998. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Expenditures

A. The county expended $13,600 to various not-for-profit organizations (NFPs) without obtaining contracts with the NFPs. There was no documentation to indicate what benefits were received.

B. The county distributed a portion of its County Aid Road Trust (CART) revenues and road and bridge sales tax revenues to special road districts. The county did not enter into written contracts with the special road districts related to these distributions.

Recommendation:

The County Commission:

A. Refrain from making contributions of public funds unless it is pursuant to written contracts which specifically state what services are to be provided to the county and provide a means of monitoring the expenditures.

B. Obtain written contracts, which specifically state what services the special road districts are to be provided to the county, for any distribution of CART or road and bridge sales tax monies to the special road districts.

Status:

A. Implemented.

B. Not implemented. See MAR No. 2.

3. 911 Emergency Telephone System

In August 1995, Ray County voters passed a ballot proposal to establish an emergency 911 telephone system in the county. This proposal authorized a local telephone tax be charged to finance this system. Based on a review of the county's plans for implementing this system, it was uncertain whether adequate revenues would be generated to establish and operate the system envisioned.

Recommendation:

The County Commission review this situation and determine whether adequate revenues can be generated to run the 911/central dispatch operation currently planned. This would include evaluating the likelihood of receiving the requested funding from the other political subdivisions in the county. If adequate revenues cannot be generated, the commission should reevaluate this entire operation and identify ways to further reduce planned expenditures.

Status:

The county only received a limited amount of planned revenue from the other political subdivisions during the current audit period; however, the county offset this loss of revenue by paying the dispatching costs of this operation from the General Revenue Fund instead of from the Emergency 911 Fund as was initially planned. Because of this funding decision, it appears the Emergency 911 Fund receives adequate revenues to pay the remaining costs of the 911 operation.

In September 1998, a new 911 board was appointed by the County Commission to administer the 911 Program.

5. Planning and Zoning

The Prosecuting Attorney served as administrator for the county Planning and Zoning Board and received compensation of $600 per month for these duties. It appears this may have represented a conflict and an incompatible situation.

Recommendation:

The County Commission review this situation and consider requesting an Attorney General's opinion regarding the compatibility of the Prosecuting Attorney serving in this position.

Status:

Not implemented. An Attorney General's opinion was not requested regarding this issue and former Prosecuting Attorney Lehnen continued to serve in this capacity through December 1998. In January 1999, when the former Prosecuting Attorney left office, the County Commission decided to retain him as administrator of the Planning and Zoning Board.

6. Collateral Securities

The amount of collateral securities pledged by the county's depositary banks was insufficient to cover monies of the County Treasurer and County Collector.

Recommendation

The County Commission ensure collateral securities pledged by the depositary banks are sufficient to protect monies at all times.

Status

Partially implemented. It appears the county is doing a better job in this area; however, we noted that the amount of collateral securities pledged to secure county funds were inadequate by over $600,000 during a few days at the end of 1998 and the beginning of 1999. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Noxious Weed Fund

A. Property tax revenues of the Noxious Weed Fund exceeded expenditures of that fund by $31,391 during the three years ended December 31,1996, and at June 30, 1997, the fund balance had increased to more than $100,000. There were no specific plans for the accumulated surplus.

B. Mileage reimbursements were made to two Noxious Weed Board members. The related mileage claims were not submitted on a timely basis, nor was the supporting documentation sufficiently detailed.

Recommendation:

The County Commission:

A. Reduce or eliminate the property tax levy of the Noxious Weed Fund until such time as additional revenues are needed to fund current operations and provide a reasonable surplus.

B. Ensure all mileage reimbursement claims are submitted on a timely basis and supported by adequate documentation.

Status:

A. Implemented. The property tax levy was reduced to -0- in 1997 and 1998. According to a board official, no property tax will be levied for this fund until such time as the board believes that additional revenues are needed.

B. Not implemented. See MAR No. 7.

8. Assessment Fund Reimbursements

During the third quarter of 1994, the county inadvertently claimed excessive reimbursements from the state. This error was not detected because the reimbursement claims were not reconciled to actual expenditures. This situation resulted in a $5,438 overpayment by the state.

Recommendation:

The County Commission contact the State Tax Commission regarding this situation and take appropriate action to correct this overpayment. In addition, the commission should ensure assessment reimbursement claims are reconciled to the expenditure records.

Status:

Implemented. The overpayment was recovered by the state by reducing the county's reimbursement for the last quarter of 1997.

9. General Fixed Asset Records and Procedures

A. The general fixed asset records had not been kept current.

B. The Sheriff maintained some county-owned assets at his personal residence. The county did not maintain any record of the fixed assets stored by the Sheriff.

C. Information recorded in the general fixed asset records was generally incomplete.

D. General fixed asset items were not numbered, tagged, or otherwise identified as county property.

E. An annual inventory of all personal property items and quarterly inspections of county-owned land and buildings were not performed.

Recommendation:

The County Clerk:

A. Bring the general fixed asset records up-to-date and maintain them on a perpetual basis by reflecting all fixed asset additions and retirements as they occur. To ensure property additions are properly reflected in the property records, additions should be reconciled to property purchases.

B. Maintain a record of all county assets stored at the Sheriff's residence and periodically compare that record to a physical inventory of the assets.

C. Include the following information in the general fixed asset records for each item:

1) Identification number;
2) Description of the item to include name, make, model, and serial number, where appropriate;
3) Physical location in sufficient detail to readily locate the item;
4) Date of acquisition;
5) Original cost and current market value:
6) Source of acquisition by fund; and
7) Date and method of disposition, if applicable.

D. Identify all general fixed asset items with an original cost of $250 or more with a number, tag, or similar device.

E. Ensure an annual inspection and inventory of county-owned personal property and quarterly inspections of county-owned land and buildings are performed.

Status:

A-E. Not implemented. See MAR No. 4.

10. Expenditures From Prosecuting Attorney Bad Check Fund

A. Some travel expenses appeared unreasonable, excessive, and/or were not supported by adequate documentation.

B. Various problems were noted regarding overtime payments made to employees of the Prosecuting Attorney's office.

C. In 1996, the Prosecuting Attorney authorized a $100 payment for the assistant prosecuting attorney to play in a charity golf tournament.

Recommendation:

The Prosecuting Attorney:

A. Ensure any travel expenses claimed for reimbursement are necessary, reasonable, adequately documented, and in accordance with the county's travel policy. In addition, the Prosecuting Attorney should provide additional documentation to the County Commission so it can determine the propriety of all the expenditures and the amount of reimbursement due to the Bad Check Fund.

B. Ensure any payments to employees for overtime owed are paid on a monthly basis. In addition, the Prosecuting Attorney should ensure documentation is maintained to support all overtime payments made to employees, that all overtime payments are properly reported and subjected to all applicable withholding taxes, and that any overtime payments authorized are in accordance with the county's overtime policy.

C. Ensure any expenditures authorized for payment are to pay prudent and necessary costs to operate his office.

Status:

A. Not implemented. While not to the extent noted in the prior audit, we again noted some problems in this area during the current audit period. See MAR No. 5. In addition, no additional documentation was provided to support the travel expenses questioned during the prior audit and no reimbursements to the Bad Check Fund were made.

B. Some of the same problems with overtime payments were noted during 1997. However, in March 1998, a written overtime policy was established by former Prosecuting Attorney Lehnen which appeared to adequately address concerns previously reported. In addition, overtime payments were properly supported by time sheets and proper withholding taxes were withheld in both 1997 and 1998.

C. In 1997, a $100 expenditure was again authorized for the assistant prosecuting attorney to play in a charity golf tournament. However, no similar expenditure was noted in 1998.

11. Circuit Clerk's Accounting Controls and Procedures

A. The method of payment was not indicated on the receipt slips and the deposit slips did not identify the individual receipts making up the deposits.

B. Fee account receipts were not deposited timely.

C. At December 31,1996, checks written on the fee and child support accounts had been outstanding for over a year.

D. Differences existed between the monthly open-items listing and the reconciled cash balance of the fee account, with the difference fluctuating from month to month. At December 31, 1996, the reconciled cash balance exceeded the open items listing by $12,193.

E. The cash receipts ledger for the fee account for 1994 was missing.

Recommendation:

The Circuit Clerk:

A. Ensure the method of payment is recorded on each receipt slip issued and individual receipts comprising deposits are identified. In addition, the composition of receipt slips should be reconciled to the composition of bank deposits.

B. Ensure monies are deposited intact into the fee account daily or when accumulated receipts exceed $100.

C. Attempt to locate the payees of the old outstanding checks and reissue the checks, if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.

D. Attempt to identify the unidentified cash balance which currently exists in the fee account. Any amounts which cannot be identified should be disposed of in accordance with Chapter 447, RSMo 1994 and Section 50.500, RSMo 1994.

E. Ensure all records are properly retained.

Status:

A-E. Implemented. The conditions noted in the prior audit were corrected; however, various other problems were noted in the Child Support Division during the current audit. See MAR No. 6.

12. Senate Bill 40 Board

A. Expenditures were approved in excess of budgeted amounts.

B. The board had not solicited bids for its banking services, even though the board's treasurer was an employee at the board's depositary bank.

C. During the three years ended December 31, 1996, funds totaling $54,021 were received under two separate programs to provide respite care services. Considering total board expenditures for respite care services totaled only $31,295 during this period, it appears the board received a total of $22,726 more in funding from the two respective sources than it expended on respite care.

Recommendation:

The Senate Bill 40 Board:

A. Keep expenditures within the total amount budgeted. If excess expenditures are necessary, the extenuating circumstances should be fully documented and the budgets should be properly amended.

B. Periodically solicit bids for its banking services. Any board member associated with a competing bank should abstain from the selection process.

C. Contact the Department of Mental Health to resolve the over funding situation which has occurred.

Status:

A. Not implemented. See MAR No. 8.

B. Partially implemented. The board did not solicit bids for banking services as recommended and decided to maintain its account at the same bank. However, it

appears the board Treasurer abstained from this decision. Although not repeated in the current MAR, our recommendation remains as stated above.

C. We found no documentation in the Senate Bill 40 Board's files to indicate the Department of Mental Health (DMH) had been contacted regarding this situation; however, based on discussions with DMH officials it appears that department has concluded that no monies are owed from the board. The Senate Bill 40 Board spent more on respite care services during the current audit period than it received in funding from the DMH. This appears to have impacted the DMH's conclusions regarding this matter. The federal funding expired in 1997 and the board is no longer receiving respite care funding from more than one source.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RAY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1820, the county of Ray was named after John Ray, a member of the state constitutional convention of 1820. Ray County is a county-organized, third-class county and is part of the Eighth Judicial Circuit. The county seat is Richmond.

Ray County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Ray County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge (Class III Road and Bridge) Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 396,074	13	371,008	12
Sales taxes	1,150,067	37	1,094,465	36
Federal and state aid	885,974	29	969,546	32
Fees, interest, and other	643,392	21	630,947	20
Total	$ 3,075,507	100	3,065,966	100

The following chart shows how Ray County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge (Class III Road and Bridge) Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 943,039	27	1,021,129	34
Public safety	1,038,337	30	916,626	30
Highways and roads	1,517,159	43	1,077,828	36
Total	$ 3,498,535	100	3,015,583	100

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During 1998 and 1997, the Special Road and Bridge Sales Tax Fund had total receipts of $597,281 and $949,525, respectively. During 1998 and 1997, the Special Road and Bridge Sales Tax Fund expended $241,306 and $936,456, respectively, for road and bridge capital improvements, and distributed $182,321 and $186,495, respectively, to road districts.

The county maintains approximately 71 county bridges and 465 miles of county roads.

The county's population was 17,599 in 1970 and 21,971 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 113.4	110.2	71.8	39.6	25.3
Personal property	41.5	38.9	15.1	9.9	6.8
Railroad and utilities	28.2	27.4	19.1	15.3	13.2
Total	$ 183.1	176.5	106.0	64.8	45.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ray County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
Class III Road and Bridge Fund *	$ N/A	N/A
Health Center Fund	0.1	0.1
Senate Bill 40 Fund	0.16	0.15
Hospital	0.16	0.15
Tri-County Mental Health	0.1	0.09

* The county retains all tax proceeds from areas not within road districts. The county has six road districts that receive four-fifths of the tax collections from property within these districts, and the Class III Road and Bridge Fund retains one-fifth. Three special road districts and the county common road district also have an additional levy approved by the voters.

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Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		1999	1998
State of Missouri	$	55,107	53,666
General Revenue Fund		12,015	13,347
Class III Road and Bridge Fund		351,713	341,042
Assessment Fund		107,325	102,340
Noxious Weed Fund		1,230	5,566
Health Center		181,846	177,132
Senate Bill 40 Fund		290,115	267,614
Tri-County Mental Health		180,332	159,552
Hospital		290,263	267,760
Road districts		371,163	347,016
School districts		7,055,905	6,767,219
Library district		199,918	194,733
Ambulance districts		234,775	212,501
Fire protection districts		216,209	126,896
Nursing home districts		235,353	213,206
Drainage and levee districts		423,130	436,980
Cities		76,209	79,398
County Clerk		301	304
County Employees' Retirement		84,735	82,591
Bad Check Fund		360	270
Tax Sale Surplus Fund		19,741	126
Commissions and fees:			
General Revenue Fund		175,768	167,553
County Collector		6,704	6,179
Total	$	10,570,217	10,022,991

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	92.0 %	92.2 %
Personal property	83.2	85.1
Railroad and utilities	96.1	100.0

Ray County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	50 %
General		0.005	None	*
Road and bridge capital improvements		0.005	None	None

* This sales tax eliminated the property tax levy of the General Revenue Fund.

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The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			
William Edgar, Presiding Commissioner	$	20,000	20,000
John Crouch, Associate Commissioner		20,000	20,000
Clifford Crist, Associate Commissioner		20,000	20,000
Mary Jo Davis, Recorder of Deeds		30,000	30,000
Paul Lynn Rogers, County Clerk		32,500	32,500
George Lehnen III, Prosecuting Attorney		37,000	37,000
Gary Holloway, Sheriff		38,000	38,000
JoAnn Burnine, County Treasurer*		22,436	21,770
Dale Dean Snow, County Coroner		7,000	7,000
Kenneth A. Nolker, Public Administrator **		22,076	21,178
Margie Bowman, County Collector*** , year ended February 28,	54,112	53,587	
Kent H. Wollard, County Assessor **** , year ended August 31,		40,000	
William B. Rogers, County Assessor ****, year ended August 31,			34,133
Terry McCanless, County Surveyor *****			

* The year 1998 includes $666 received in commissions for handling drainage district taxes.
* * Includes fees received from probate cases.
*** Includes $6,704 and $6,179, respectively, in commissions earned for collecting drainage and levee taxes.
**** Includes $900 annual compensation received from the state.
***** Compensation on a fee basis.

State-Paid Officials:			
Carolyne Conner, Circuit Clerk		42,183	40,176
David L. Busch, Associate Circuit Judge		85,158	81,792

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A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	Number of Employees Paid by State
County Commission*	3	0
Circuit Clerk	0	4
Recorder of Deeds	2	0
County Clerk**	4	0
Prosecuting Attorney***	3	0
Sheriff***	27	0
County Treasurer***	1	0
Public Administrator***	1	0
County Collector	2	0
County Assessor***	6	0
Associate Division****	2	3
Road and Bridge**	17	0
Juvenile Officer	2	1
Total	70	8

* Includes two full-time janitors and one part-time employee.
** Includes two part-time employees.
*** Includes one part-time employee.
**** Includes three part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Ray County's share of the Eighth Judicial Circuit's expenses is 67.15 percent.

MERCER COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-93
October 4, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Mercer, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Mercer County was a financial and compliance audit of various county operating funds.

- The audit noted various problems in the county's administration of a grant from the U.S. Department of Commerce including; the failure to maintain supporting documentation for grant expenditures, not disbursing the monies within federal time requirements and requesting reimbursements from the U.S. Department of Commerce in excess of what was actually spent. The county also did not have procedures to track all federal monies and as a result, an inaccurate schedule of its federal expenditures was prepared.

- The county overspent budgets for some county funds during 1997 and 1998. The audit recommended officials not authorize warrants in excess of budgeted expenditures.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

MERCER COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Mercer County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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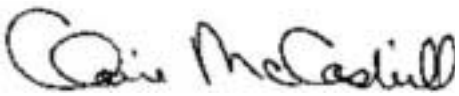
Mercer County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 15, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

June 15, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Mercer County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Mercer County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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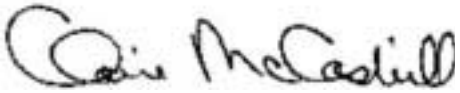
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 15, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	111,873	570,614	557,357	125,130
Special Road and Bridge		614,537	821,029	935,389	500,177
Assessment		9,397	69,065	73,644	4,818
Law Enforcement Training		766	2,247	2,115	898
Prosecuting Attorney Training		387	382	679	90
Recorder's User Fees		6,534	4,450	4,143	6,841
Prosecuting Attorney Delinquent Tax		133	13	0	146
Prosecuting Attorney Bad Check		1,485	3,646	3,910	1,221
Economic Development Administration		0	547,643	547,643	0
Health Center		24,241	191,882	189,724	26,399
Circuit Clerk's Interest		272	112	45	339
Associate Circuit Interest		327	361	304	384
Law Library		1,055	1,770	2,510	315
Total	$	771,007	2,213,214	2,317,463	666,758

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	91,370	537,194	516,691	111,873
Special Road and Bridge		496,581	891,598	773,642	614,537
Assessment		7,652	68,689	66,944	9,397
Law Enforcement Training		1,811	1,782	2,827	766
Prosecuting Attorney Training		314	463	390	387
Recorder's User Fees		5,620	2,274	1,360	6,534
Prosecuting Attorney Delinquent Tax		2	131	0	133
Prosecuting Attorney Bad Check		200	5,791	4,506	1,485
Health Center		88,752	133,515	198,026	24,241
Circuit Clerk Interest		868	264	860	272
Associate Circuit Interest		1,001	314	988	327
Law Library		982	1,070	997	1,055
Total	$	695,153	1,643,085	1,567,231	771,007

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 161,445	163,906	2,461	136,700	141,999	5,299
Sales taxes	215,000	234,340	19,340	208,500	214,656	6,156
Intergovernmental	76,873	80,017	3,144	62,951	69,265	6,314
Charges for services	42,750	42,351	-399	61,650	42,754	-18,896
Interest	6,600	7,560	960	4,600	6,595	1,995
Other	32,670	14,918	-17,752	36,954	38,467	1,513
Transfers in	25,000	27,522	2,522	32,792	23,458	-9,334
Total Receipts	560,338	570,614	#VALUE!	544,147	537,194	#VALUE!
DISBURSEMENTS						
County Commission	38,744	38,592	152	38,644	38,563	81
County Clerk	42,156	41,959	197	41,011	41,224	-213
Elections	15,100	12,792	2,308	5,300	6,565	-1,265
Buildings and grounds	50,656	49,172	1,484	43,000	41,660	1,340
Employee fringe benefits	33,000	35,494	-2,494	30,700	31,493	-793
County Treasurer and Ex Officio Collector	28,365	25,891	2,474	27,515	26,070	1,445
Circuit Clerk	6,882	5,329	1,553	5,025	8,701	-3,676
Associate Circuit Court	4,650	3,777	873	5,200	4,301	899
Court administration	2,717	1,389	1,328	609	573	36
Public Administrator	9,464	9,958	-494	9,710	9,128	582
Sheriff	185,240	191,488	-6,248	162,791	168,877	-6,086
Jail	14,500	11,746	2,754	17,800	16,968	832
Prosecuting Attorney	42,630	42,952	-322	42,189	40,493	1,696
Juvenile Officer	21,773	17,437	4,336	17,089	14,107	2,982
County Coroner	4,230	4,230	0	4,230	4,230	0
Township Collectors	2,000	1,962	38	2,000	2,372	-372
Court Reporter	550	519	31	600	538	62
Other	75,800	62,670	13,130	72,600	60,828	11,772
Emergency Fund	16,810	0	16,810	16,324	0	16,324
Total Disbursements	595,267	557,357	37,910	542,337	516,691	25,646
RECEIPTS OVER (UNDER) DISBURSEMENTS	-34,929	13,257	#VALUE!	1,810	20,503	#VALUE!
CASH, JANUARY 1	111,873	111,873	0	91,370	91,370	0
CASH, DECEMBER 31	$ 76,944	125,130	#VALUE!	93,180	111,873	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 89,000	89,668	668	84,993	89,881	4,888
Intergovernmental	754,000	686,551	-67,449	889,000	778,451	-110,549
Interest	20,000	32,466	12,466	23,000	17,706	-5,294
Other	7,200	12,344	5,144	5,950	5,560	-390
Total Receipts	870,200	821,029	-49,171	1,002,943	891,598	-111,345
DISBURSEMENTS						
Salaries	96,000	92,834	3,166	80,000	79,990	10
Employee fringe benefits	34,900	32,635	2,265	21,500	24,847	-3,347
Supplies	51,025	71,458	-20,433	35,825	33,972	1,853
Insurance	6,500	9,144	-2,644	6,500	4,097	2,403
Road and bridge materials	429,000	379,812	49,188	432,750	353,741	79,009
Equipment repairs	25,000	9,002	15,998	10,000	21,683	-11,683
Rentals	5,500	0	5,500	2,500	0	2,500
Equipment purchases	70,000	78,867	-8,867	50,000	47,548	2,452
Construction, repair, and maintenance	662,000	234,115	427,885	454,007	184,306	269,701
Transfers out	42,448	27,522	14,926	32,792	23,458	9,334
Total Disbursements	1,422,373	935,389	486,984	1,125,874	773,642	352,232
RECEIPTS OVER (UNDER) DISBURSEMENTS	-552,173	-114,360	437,813	-122,931	117,956	240,887
CASH, JANUARY 1	614,537	614,537	0	496,581	496,581	0
CASH, DECEMBER 31	$ 62,364	500,177	437,813	373,650	614,537	240,887

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 66,600	68,372	1,772	60,225	68,086	7,861
Interest	620	693	73	600	603	3
Other	0	0	0	750	0	-750
Total Receipts	67,220	69,065	1,845	61,575	68,689	7,114
DISBURSEMENTS						
Assessor	76,524	73,644	2,880	68,387	66,944	1,443
Total Disbursements	76,524	73,644	2,880	68,387	66,944	1,443
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,304	-4,579	4,725	-6,812	1,745	8,557
CASH, JANUARY 1	9,397	9,397	0	7,652	7,652	0
CASH, DECEMBER 31	$ 93	4,818	4,725	840	9,397	8,557

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,222	1,504	282	1,575	1,134	-441
Interest	0	18	18	67	0	-67
Other	685	725	40	1,000	648	-352
Total Receipts	1,907	2,247	340	2,642	1,782	-860
DISBURSEMENTS						
Sheriff	2,500	2,115	385	2,500	2,827	-327
Total Disbursements	2,500	2,115	385	2,500	2,827	-327
RECEIPTS OVER (UNDER) DISBURSEMENTS	-593	132	725	142	-1,045	-1,187
CASH, JANUARY 1	766	766	0	1,811	1,811	0
CASH, DECEMBER 31	$ 173	898	725	1,953	766	-1,187

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 455	376	-79	800	453	-347
Interest	10	6	-4	16	10	-6
Other	0	0	0	25	0	-25
Total Receipts	465	382	-83	841	463	-378
DISBURSEMENTS						
Prosecuting Attorney	600	679	-79	800	390	410
Total Disbursements	600	679	-79	800	390	410
RECEIPTS OVER (UNDER) DISBURSEMENTS	-135	-297	-162	41	73	32
CASH, JANUARY 1	387	387	0	314	314	0
CASH, DECEMBER 31	$ 252	90	-162	355	387	32

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,200	2,244	44	2,000	2,124	124
Interest	150	174	24	160	150	-10
Other	0	2,032	2,032	0	0	0
Total Receipts	2,350	4,450	2,100	2,160	2,274	114
DISBURSEMENTS						
Recorder	2,860	4,143	-1,283	1,500	1,360	140
Total Disbursements	2,860	4,143	-1,283	1,500	1,360	140
RECEIPTS OVER (UNDER) DISBURSEMENTS	-510	307	817	660	914	254
CASH, JANUARY 1	6,534	6,534	0	5,620	5,620	0
CASH, DECEMBER 31	$ 6,024	6,841	817	6,280	6,534	254

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 130	10	-120	80	130	50
Interest	1	3	2	8	1	-7
Total Receipts	131	13	-118	88	131	43
DISBURSEMENTS						
Prosecuting Attorney	100	0	100	85	0	85
Total Disbursements	100	0	100	85	0	85
RECEIPTS OVER (UNDER) DISBURSEMENTS	31	13	-18	3	131	128
CASH, JANUARY 1	133	133	0	2	2	0
CASH, DECEMBER 31	$ 164	146	-18	5	133	128

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,800	3,604	-2,196	4,300	5,763	1,463
Interest	30	42	12	32	28	-4
Total Receipts	5,830	3,646	-2,184	4,332	5,791	1,459
DISBURSEMENTS						
Prosecuting Attorney	4,898	3,910	988	4,482	4,506	-24
Total Disbursements	4,898	3,910	988	4,482	4,506	-24
RECEIPTS OVER (UNDER) DISBURSEMENTS	932	-264	-1,196	-150	1,285	1,435
CASH, JANUARY 1	1,485	1,485	0	200	200	0
CASH, DECEMBER 31	$ 2,417	1,221	-1,196	50	1,485	1,435

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT ADMINISTRATION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 511,200	547,643	36,443
Total Receipts	511,200	547,643	36,443
DISBURSEMENTS			
EDA project	511,200	547,643	-36,443
Total Disbursements	511,200	547,643	-36,443
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MERCER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 45,000	49,112	4,112	46,000	47,523	1,523
Intergovernmental	64,232	75,027	10,795	55,592	58,234	2,642
Charges for services	2,100	2,861	761	2,300	3,662	1,362
Interest	852	1,103	251	2,000	2,549	549
Loan proceeds	40,000	40,000	0	0	0	0
Other	26,436	23,779	-2,657	51,440	21,547	-29,893
Total Receipts	178,620	191,882	13,262	157,332	133,515	-23,817
DISBURSEMENTS						
Salaries	81,609	87,401	-5,792	73,678	73,015	663
Office expenditures	20,760	22,512	-1,752	10,650	18,940	-8,290
Equipment	0	1,653	-1,653	7,100	12,473	-5,373
Mileage and training	5,061	4,618	443	3,810	4,217	-407
Buildings and grounds	40,000	41,163	-1,163	75,000	75,162	-162
Other	32,140	32,377	-237	9,260	14,219	-4,959
Total Disbursements	179,570	189,724	-10,154	179,498	198,026	-18,528
RECEIPTS OVER (UNDER) DISBURSEMENTS	-950	2,158	3,108	-22,166	-64,511	-42,345
CASH, JANUARY 1	24,241	24,241	0	88,752	88,752	0
CASH, DECEMBER 31	$ 23,291	26,399	3,108	66,586	24,241	-42,345

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK'S INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 35	112	77
Other	200	0	-200
Total Receipts	235	112	-123
DISBURSEMENTS			
Circuit Clerk	25	45	-20
Total Disbursements	25	45	-20
RECEIPTS OVER (UNDER) DISBURSEMENTS	210	67	-143
CASH, JANUARY 1	272	272	0
CASH, DECEMBER 31	$ 482	339	-143

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 250	361	111
Total Receipts	250	361	111
DISBURSEMENTS			
Associate division	70	304	-234
Total Disbursements	70	304	-234
RECEIPTS OVER (UNDER) DISBURSEMENTS	180	57	-123
CASH, JANUARY 1	327	327	0
CASH, DECEMBER 31	$ 507	384	-123

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 1,500	1,770	270
Total Receipts	1,500	1,770	270
DISBURSEMENTS			
Law Library	2,500	2,510	-10
Total Disbursements	2,500	2,510	-10
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,000	-740	260
CASH, JANUARY 1	1,055	1,055	0
CASH, DECEMBER 31	$ 55	315	260

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Circuit Clerk's Interest Fund	1997
Associate Division Interest Fund	1997
Law Library Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1997
Prosecuting Attorney Training Fund	1998
Recorder's User Fees Fund	1998

Prosecuting Attorney Bad Check Fund	1997
Economic Development Administration Fund	1998
Health Center Fund	1998 and 1997
Circuit Clerk's Interest Fund	1998
Associate Division Interest Fund	1998
Law Library Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 1998, did not include the Health Center Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance, by commercial insurance provided through a surety bond, or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

Supplementary Schedule

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-7165	$ 8,239	11,785
	U.S. DEPARTMENT OF COMMERCE - ECONOMIC DEVELOPMENT ADMINISTRATION			
	Direct program:			
11.300	Grants for Public Works and Infrastructure Development	N/A	496,037	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/Small Cities Program	95-PF-26	37,542	94,847
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,129	1,389
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-065 (9)	0	973
		BRO-065 (10)	0	633
		BRO-065 (11)	142,299	81
		BRO-065 (13)	214	138,747
	Program Total		142,513	140,434
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	21,702	11,785
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			

	Department of Health -			
93.3	Immunization Grants	PG0064-8165	795	1,638
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	2,403	2,817
94.0	Maternal and Child Health Services			
	Block Grant to the States	ERO146-7165	8,854	9,459
	Total Expenditures of Federal Awards		$ 719,214	274,154

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

MERCER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Mercer County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $496,037 to subrecipients under Grants for Public Works and Infrastructure Development (CFDA number 11.300) during the year ended December 31, 1998.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Mercer County, Missouri

Compliance

We have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Mercer County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-2.

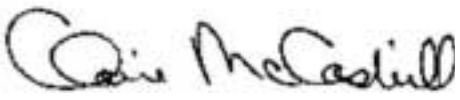
Internal Control Over Compliance

The management of Mercer County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-2, to be a material weakness.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 15, 1999 (fieldwork completion date)

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 and 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	____ yes ___x___ no
Reportable condition identified that is not considered to be a material weakness?	____ yes ___x___ none reported
Noncompliance material to the financial statements noted?	___x___ yes ____ no

Federal Awards

Internal control over major program:	
Material weakness identified?	___x___ yes ____ no
Reportable condition identified that is not considered to be a material weakness?	____ yes ___x___ none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	___x___ yes ____ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
11.300	Grants for Public Works and Infrastructure Development
39.003	Donation of Federal Surplus Personal Property

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Budgetary Practices

Warrants were issued in excess of approved budgeted expenditures in the following funds

Fund	Year Ended December 31, 1998	1997
Law Enforcement Training Fund	$ N/A	327
Prosecuting Attorney Training Fund	79	N/A
Recorder's User Fees Fund	1,283	N/A
Prosecuting Attorney Bad Check Fund	N/A	24
Economic Development Administration Fund	36,443	N/A
Health Center Fund	10,154	18,528
Circuit Clerk's Interest Fund	20	N/A
Associate Circuit Interest Fund	234	N/A
Law Library Fund	10	N/A

during the two years ended December 31, 1998:
It was ruled in State Ex. Rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cumulative Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

WE RECOMMEND the County Commission and the Health Center not authorize warrants in excess of budgeted expenditures.

AUDITEE'S RESPONSE

The County Commission responded:

We will monitor expenditures and amend budgets as necessary.

The Health Center responded:

We will monitor the budget more closely and amend as necessary.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-2.	**Federal Awards**

Federal Grantor: U.S. Department of Commerce
Pass Through Grantor: N/A
CFDA Number: 11.300
Program Title: Grants for Public Works and Infrastructure Development
Pass Thru Entity Identifying Number: N/A
Award Years: 1997 thru 1998
Questioned Costs: $8,476

A. Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations,* requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have specific procedures in place to track federal assistance for preparation of the SEFA. During the two years ended December 31, 1998 and 1997 the county over reported expenditures on their SEFA schedule by $75,307 and $18,140, respectively. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

B. On June 5, 1995, the county was awarded $511,200 grant by the U.S. Department of Commerce - Economic Development Administration (EDA) to pay for 60 percent of the construction of a water tower in the City of Princeton and a water line to the City of Mercer. The grant named the cities as subrecipients. Grant monies were received by the county and the cities provided the local match. The county paid one of the

contractors and then remitted 100% of the other amounts available for construction costs to the cities. The cities paid all other construction costs. This arrangement, devised by the participants, avoided the requirement for an A-133 audit at the city level.

As the grant recipient, the county was responsible for monitoring the water tower project to ensure that all costs were proper and that the terms and conditions of the grant were executed properly. However, the county elected not to monitor the project and transferred this responsibility to the Green Hills Regional Planning Commission (GHRPC). During our review of this grant the following concerns were noted:

1) The county requested and received federal grant monies from the U.S. Department of Commerce EDA prior to the actual disbursement of allowable expenditures. The county did not establish cash management procedures to ensure the minimum time elapsed between its receipt of the federal monies and the disbursement of such monies. Federal grant monies were held for 3 to 21 days before related disbursements were made.

   Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that federal funds shall be requested such that they are received not more than two days prior to disbursement of a payment.

2) The county did not have documentation to support payments made to the cities from EDA grant monies. Instead, county representatives indicated that these payments were made at the direction of the Green Hills Regional Planning Commission (GHRPC).

   OMB Circular A-102, Common Rule, Standards for Financial Management Systems, requires supporting documentation to be maintained for all expenditures claimed for federal reimbursement. Since we were able to obtain supporting documentation for these payments from the GHRPC, no costs were questioned.

3) Engineering inspection costs on the EDA project totaling $37,246 were submitted to the U.S. Department of Commerce for reimbursement although actual inspection costs totaled only $23,119. As a result, costs were over reported by $14,127. This difference represented costs which were claimed twice for reimbursement. A representative of the GHRPC who was responsible for the administration of this grant stated that this excess reimbursement had come to her attention before the project was finished. She also stated that the cities incurred other costs related to this project which exceeded the amount of the excess reimbursement.

OMB Circular A-102, Common Rule, Standards for Financial Management Systems, requires supporting documentation to be maintained for all expenditures claimed for federal reimbursement. Since the county received reimbursements in excess of documented costs, we have questioned costs of $8,476, or 60% of the amount over reported.

WE RECOMMEND the County Commission:

A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.

B.1. Establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with federal requirements.

2. Retain supporting documentation for all expenditures of federal monies.

3. Resolve the questioned costs with the grantor agency. In the future, the county should ensure that all requests for federal reimbursements are adequately supported by legitimate charges.

AUDITEE'S RESPONSE

A. We concur. This will be done.

B.1. & 2. These will be done.

3. The federal grantor will be contacted and the questioned costs will be resolved.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MERCER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

MERCER COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 15, 1999. We also have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 15, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Mercer County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Potential Conflict of Interest

   An Associate Commissioner receives royalties from a local rock quarry the county does business with. This relationship may present a potential conflict of interest since the County Commission approves these purchases. This Commissioner indicated that he abstained from voting on issues regarding use of this quarry; however, that fact was not documented in the County Commission minutes.

2. Bid Documentation

   The County Commission minutes and Health Center Board minutes do not always clearly disclose the reasons for accepting a bid other than the low bid.

This Letter on Other Matters is intended for the information of the management of Mercer County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

BUTLER COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-92
September 30, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Butler, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Butler County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< The county does not have a procedure in place to track federal awards. The county did not submit a Schedule of Expenditures of Federal Awards (SEFA) to the State Auditor's Office in 1997, and the 1998 SEFA prepared was incomplete. An accurate SEFA is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.

< The County contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the federal Off-System Bridge Replacement and Rehabilitation Program. The county did not have documentation regarding the consideration of at least three engineering firms for two bridge projects as required.

< The Butler County Juvenile Office operates the Hentz School which receives federal and state funding. Expenditures made from the Hentz School Fund to reimburse the Poplar Bluff School District for teachers' salaries were approximately $130,000 and $128,000 respectively, in 1998 and 1997. The county did not enter into a written agreement with the school district documenting the services to be provided and the payments to be made from the Hentz School Fund.

(over)

- The county did not have procedures in place to ensure financial activities were accurately presented. Actual receipt and disbursement amounts were not correctly reported on county budgets and published financial statements. Numerous errors were noted and could have been detected had reconciliations between the County Clerks and County Treasurer's office been performed. In addition, formal budgets were not prepared for various county funds and actual disbursements exceeded budget amounts in several funds.

The audit also made recommendations and suggestions to improve the county's personnel policies and procedures, controls over property tax additions and abatements, and monitoring of collateral securities pledged by county banks. Additional recommendations were made to improve the documentation of county expenditures, minutes of County Commission meetings and general fixed asset records.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Associate Circuit Division, the County Clerk, the County Collector, the County Treasurer, the County Juvenile Officer, the Probate Division, the County Prosecuting Attorney, and the County Sheriff. Approximately $130 could not be accounted for in the County Clerk's office. Additionally, due to concerns noted on the Sheriff's inmate and commissary accounts, a special review is being performed of those areas.

Copies of the audit are available upon request.

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State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Butler County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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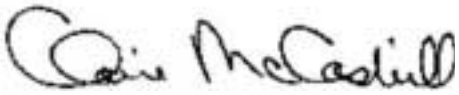
Butler County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 27, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Butler County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Butler County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Butler County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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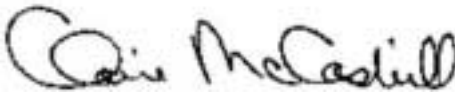
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	257,303	3,996,961	4,091,527	162,737
Special Road and Bridge		366,183	1,830,795	1,683,222	513,756
Assessment		24,037	240,704	249,032	15,709
Law Enforcement Training		8,127	12,255	12,589	7,793
Prosecuting Attorney Training		429	2,944	2,507	866
Prosecuting Attorney Bad Check		353	37,732	31,758	6,327
Law Enforcement Complex		631,915	1,123,011	1,063,738	691,188
Road and Bridge Capital Improvement - Eastern District		371,174	613,312	570,277	414,209
Road and Bridge Capital Improvement - Western District		316,416	664,169	624,720	355,865
Prosecuting Attorney Crime Reduction Fund		13,150	32,252	44,163	1,239
Prosecuting Attorney Delinquent Tax		251	659	203	707
Recorder's User Fees		70,451	20,477	5,488	85,440
Senior Citizen Service		78,440	146,337	170,402	54,375
Board for the Care of the Handicapped		294,303	274,587	396,652	172,238
Local Use Tax		459,533	31,240	216,000	274,773
Law Enforcement Use Tax		104,294	0	0	104,294
Road and Bridge Capital Improvements Use Tax		104,295	0	0	104,295
Division of Youth Services - Tracker Program		0	15,638	19,274	-3,636
Division of Youth Services - Hentz School		0	184,912	137,415	47,497
Division of Youth Services - Probation Management		0	8,109	7,347	762
Division I Interest		5,587	9,313	12,714	2,186
Division II Interest		437	655	727	365
Division III Interest		846	297	59	1,084
Sheriff's Drug Enforcement		13,065	2,986	6,618	9,433
Drainage District No. 12		13,037	2,647	455	15,229
Domestic Violence Shelter Board		5,270	13,444	13,777	4,937
Sheriff's Civil Fees		0	57,100	875	56,225
Law Library		33,392	26,696	19,095	40,993
Contingency Probation Management		704	15,523	16,227	0
Hentz School		70,187	87,898	158,085	0
Tracker Program		792	28,947	29,739	0
Jail Commissary		1,579	65,943	65,871	1,651
K-9 Patrol		0	8,466	8,088	378
DARE		0	1,963	810	1,153
CDBG - Public Water Supply District #1		500	103,802	103,802	500
CDBG - Public Water Supply District #3		0	15,677	15,677	0
CDBG - Brown Cabinets Economic Development		0	35,069	35,069	0
Total	$	3,246,050	9,712,520	9,814,002	3,144,568

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	18,984	3,939,890	3,701,571	257,303
Special Road and Bridge		89,906	1,917,077	1,640,800	366,183
Assessment		21,179	224,231	221,373	24,037
Law Enforcement Training		4,105	6,868	2,846	8,127
Prosecuting Attorney Training		711	3,979	4,261	429
Prosecuting Attorney Bad Check		673	34,325	34,645	353
Law Enforcement Complex		1,008,490	1,078,192	1,454,767	631,915
Road and Bridge Capital Improvement - Eastern District		253,100	608,552	490,478	371,174
Road and Bridge Capital Improvement - Western District		239,552	563,469	486,605	316,416
Prosecuting Attorney Crime Reduction Fund		29,300	37,694	53,844	13,150
Prosecuting Attorney Delinquent Tax		2,683	1,762	4,194	251
Recorder's User Fees		51,398	19,053	0	70,451
Senior Citizen Service		81,960	136,957	140,477	78,440
Board for the Care of the Handicapped		372,569	285,572	363,838	294,303
Local Use Tax		425,744	33,789	0	459,533
Law Enforcement Use Tax		104,294	0	0	104,294
Road and Bridge Capital Improvements Use Tax		104,295	0	0	104,295
Division I Interest		6,702	379	1,494	5,587
Division II Interest		7,785	2,485	9,833	437
Division III Interest		655	317	126	846
InmateTelephone Income		37,596	11,426	49,022	0
Sheriff's Drug Enforcement		13,065	0	0	13,065
Drainage District No. 12		10,670	2,787	420	13,037
Domestic Violence Shelter Board		4,833	14,970	14,533	5,270
Law Library		33,418	27,078	27,104	33,392
Contingency Probation Management		959	30,364	30,619	704
Hentz School		55,535	229,268	214,616	70,187
Tracker Program		4,038	39,182	42,428	792
Jail Commissary		0	39,099	37,520	1,579
CDBG - Public Water Supply District #1		0	6,000	5,500	500
CDBG - Public Water Supply District #3		0	49,935	49,935	0
Total	$	2,984,199	9,344,700	9,082,849	3,246,050

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 296,220	326,414	30,194	229,100	303,759	74,659
Sales taxes	1,400,000	1,399,706	-294	1,380,000	1,418,533	38,533
Intergovernmental	544,300	755,437	211,137	523,300	650,187	126,887
Charges for services	511,000	593,577	82,577	476,000	536,260	60,260
Interest	12,000	21,423	9,423	12,000	9,229	-2,771
Other	154,800	184,404	29,604	222,700	186,922	-35,778
Transfers in	1,065,000	716,000	-349,000	835,000	835,000	0
Total Receipts	3,983,320	3,996,961	#VALUE!	3,678,100	3,939,890	#VALUE!
DISBURSEMENTS						
County Commission	78,500	75,040	3,460	74,500	77,882	-3,382
County Clerk	106,505	107,205	-700	103,505	102,552	953
Elections	95,450	75,386	20,064	36,250	35,544	706
Buildings and grounds	367,800	294,713	73,087	313,800	276,678	37,122
Employee fringe benefits	437,900	453,147	-15,247	329,600	386,062	-56,462
County Treasurer	50,650	48,576	2,074	48,969	42,828	6,141
County Collector	122,522	104,269	18,253	109,072	101,340	7,732
Ex Officio Recorder of Deeds	130,284	123,513	6,771	128,150	121,342	6,808
Circuit Clerk	34,300	20,142	14,158	30,500	16,628	13,872
Associate Circuit Court	44,000	39,553	4,447	40,000	32,421	7,579
Associate Circuit (Probate)	31,200	9,833	21,367	30,800	10,564	20,236
Court administration	20,800	16,420	4,380	9,000	6,350	2,650
Public Administrator	15,500	9,167	6,333	7,200	3,748	3,452
Sheriff	823,569	929,314	-105,745	1,074,886	939,797	135,089
Jail	428,845	477,533	-48,688	440,500	440,853	-353
Prosecuting Attorney	148,166	157,854	-9,688	138,654	144,118	-5,464
Juvenile Officer	271,150	248,485	22,665	210,373	214,471	-4,098
County Coroner	38,240	27,527	10,713	31,885	31,458	427
Other government	718,586	473,573	245,013	182,386	399,185	-216,799
Juvenile Justice Center	101,300	100,432	868	89,517	91,695	-2,178
Support Enforcement IV-D	198,925	185,939	12,986	186,860	180,344	6,516
Public health and welfare services	30,400	30,739	-339	23,450	37,974	-14,524
Transfers out	37,000	83,167	-46,167	35,000	7,737	27,263
Emergency Fund	62,500	0	62,500	62,500	0	62,500
Total Disbursements	4,394,092	4,091,527	302,565	3,737,357	3,701,571	35,786
RECEIPTS OVER (UNDER) DISBURSEMENTS	-410,772	-94,566	#VALUE!	-59,257	238,319	#VALUE!
CASH, JANUARY 1	255,471	257,303	1,832	-114,711	18,984	133,695
CASH, DECEMBER 31	$ -155,301	162,737	#VALUE!	-173,968	257,303	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 109,780	113,978	4,198	77,900	105,060	27,160
Sales taxes	600,000	583,999	-16,001	591,000	607,425	16,425
Intergovernmental	1,066,500	1,118,738	52,238	1,031,500	1,183,640	152,140
Charges for services	0	9	9	0	1,206	1,206
Interest	5,000	6,698	1,698	3,000	5,991	2,991
Other	16,100	7,373	-8,727	26,100	13,755	-12,345
Total Receipts	1,797,380	1,830,795	33,415	1,729,500	1,917,077	187,577
DISBURSEMENTS						
Salaries	805,000	828,575	-23,575	802,000	777,420	24,580
Employee fringe benefits	323,000	300,622	22,378	315,600	286,492	29,108
Supplies	318,800	318,121	679	316,000	286,454	29,546
Insurance	45,000	29,585	15,415	45,000	34,327	10,673
Road and bridge materials	153,000	122,105	30,895	133,500	131,803	1,697
Equipment repairs	2,800	13,277	-10,477	2,800	6,642	-3,842
Rentals	2,000	2,073	-73	1,500	2,383	-883
Equipment purchases	15,000	9,921	5,079	27,000	39,664	-12,664
Construction, repair, and maintenance	108,000	26,783	81,217	108,000	34,037	73,963
Other	30,000	32,160	-2,160	50,000	41,578	8,422
Total Disbursements	1,802,600	1,683,222	119,378	1,801,400	1,640,800	160,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,220	147,573	152,793	-71,900	276,277	348,177
CASH, JANUARY 1	364,287	366,183	1,896	88,951	89,906	955
CASH, DECEMBER 31	$ 359,067	513,756	154,689	17,051	366,183	349,132

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 240,000	227,386	-12,614	220,000	210,958	-9,042
Charges for services	150	208	58	150	0	-150
Interest	1,400	378	-1,022	1,200	1,397	197
Other	11,600	12,732	1,132	3,600	11,876	8,276
Transfers in	37,000	0	-37,000	35,000	0	-35,000
Total Receipts	290,150	240,704	-49,446	259,950	224,231	-35,719
DISBURSEMENTS						
Assessor	289,123	249,032	40,091	277,713	221,373	56,340
Total Disbursements	289,123	249,032	40,091	277,713	221,373	56,340
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,027	-8,328	-9,355	-17,763	2,858	20,621
CASH, JANUARY 1	25,878	24,037	-1,841	21,479	21,179	-300
CASH, DECEMBER 31	$ 26,905	15,709	-11,196	3,716	24,037	20,321

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	4,370	4,370	0	0	0
Charges for services	6,000	7,885	1,885	6,000	6,868	868
Total Receipts	6,000	12,255	6,255	6,000	6,868	868
DISBURSEMENTS						
Sheriff	4,600	12,589	-7,989	6,600	2,846	3,754
Total Disbursements	4,600	12,589	-7,989	6,600	2,846	3,754
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,400	-334	1,734	-600	4,022	-4,622
CASH, JANUARY 1	4,105	8,127	4,022	4,105	4,105	0
CASH, DECEMBER 31	$ 5,505	7,793	2,288	3,505	8,127	4,622

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,500	2,064	-1,436	3,500	3,979	479
Other	0	880	880	0	0	0
Total Receipts	3,500	2,944	-556	3,500	3,979	479
DISBURSEMENTS						
Prosecuting Attorney	3,500	2,507	993	3,500	4,261	-761
Total Disbursements	3,500	2,507	993	3,500	4,261	-761
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	437	437	0	-282	-282
CASH, JANUARY 1	711	429	-282	711	711	0
CASH, DECEMBER 31	$ 711	866	155	711	429	-282

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 42,000	37,732	-4,268	42,000	34,325	-7,675
Interest	600	0	-600	600	0	-600
Total Receipts	42,600	37,732	-4,868	42,600	34,325	-8,275
DISBURSEMENTS						
Office expenditures	25,000	20,785	4,215	25,000	34,645	-9,645
Equipment expenditures	0	0	0	7,000	0	7,000
Mileage and training	10,000	10,973	-973	10,000	0	10,000
Total Disbursements	35,000	31,758	3,242	42,000	34,645	7,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,600	5,974	-1,626	600	-320	-920
CASH, JANUARY 1	2,161	353	-1,808	673	673	0
CASH, DECEMBER 31	$ 9,761	6,327	-3,434	1,273	353	-920

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT COMPLEX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 1,000,000	1,079,616	79,616	960,000	1,011,732	51,732
Interest	35,000	43,395	8,395	35,000	66,460	31,460
Total Receipts	1,035,000	1,123,011	88,011	995,000	1,078,192	83,192
DISBURSEMENTS						
Lease payments	565,000	563,738	1,262	565,000	563,659	1,341
Jail construction	0	0	0	325,000	0	325,000
Equipment	0	0	0	21,000	21,773	-773
Furniture and schooling	0	0	0	25,000	8,550	16,450
Transfers out	585,000	500,000	85,000	835,000	835,000	0
Other	0	0	0	0	25,785	-25,785
Total Disbursements	1,150,000	1,063,738	86,262	1,771,000	1,454,767	316,233
RECEIPTS OVER (UNDER) DISBURSEMENTS	-115,000	59,273	174,273	-776,000	-376,575	399,425
CASH, JANUARY 1	631,915	631,915	0	1,008,490	1,008,490	0
CASH, DECEMBER 31	$ 516,915	691,188	174,273	232,490	631,915	399,425

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ROAD AND BRIDGE CAPITAL IMPROVEMENT, EASTERN AND WESTERN DISTRICT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 1,000,000	1,079,625	79,625	960,000	1,011,741	51,741
Interest	35,000	39,032	4,032	15,000	35,501	20,501
Other	0	158,824	158,824	0	124,779	124,779
Total Receipts	1,035,000	1,277,481	242,481	975,000	1,172,021	197,021
DISBURSEMENTS						
Equipment	300,000	310,730	-10,730	278,000	346,852	-68,852
Construction materials	934,000	814,097	119,903	810,000	589,746	220,254
Other	22,000	70,170	-48,170	22,000	40,485	-18,485
Total Disbursements	1,256,000	1,194,997	61,003	1,110,000	977,083	132,917
RECEIPTS OVER (UNDER) DISBURSEMENTS	-221,000	82,484	303,484	-135,000	194,938	329,938
CASH, JANUARY 1	764,656	687,590	-77,066	492,773	492,652	-121
CASH, DECEMBER 31	$ 543,656	770,074	226,418	357,773	687,590	329,817

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY CRIME REDUCTION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 35,000	32,252	-2,748
Total Receipts	35,000	32,252	-2,748
DISBURSEMENTS			
Prosecuting Attorney	35,000	44,163	-9,163
Total Disbursements	35,000	44,163	-9,163
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-11,911	-11,911
CASH, JANUARY 1	28,858	13,150	-15,708
CASH, DECEMBER 31	$ 28,858	1,239	-27,619

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,800	659	-1,141	4,000	1,762	-2,238
Total Receipts	1,800	659	-1,141	4,000	1,762	-2,238
DISBURSEMENTS						
Prosecuting Attorney	0	203	-203	0	4,194	-4,194
Total Disbursements	0	203	-203	0	4,194	-4,194
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,800	456	-1,344	4,000	-2,432	-6,432
CASH, JANUARY 1	0	251	251	2,683	2,683	0
CASH, DECEMBER 31	$ 1,800	707	-1,093	6,683	251	-6,432

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 16,000	17,108	1,108	16,000	15,762	-238
Interest	2,000	3,369	1,369	900	3,291	2,391
Total Receipts	18,000	20,477	2,477	16,900	19,053	2,153
DISBURSEMENTS						
Office expenditures	0	0	0	15,000	0	15,000
Equipment expenditures	70,000	5,488	64,512	35,000	0	35,000
Total Disbursements	70,000	5,488	64,512	50,000	0	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-52,000	14,989	66,989	-33,100	19,053	52,153
CASH, JANUARY 1	70,451	70,451	0	38,181	51,398	13,217
CASH, DECEMBER 31	$ 18,451	85,440	66,989	5,081	70,451	65,370

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZEN SERVICE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 140,000	146,337	6,337	134,000	136,957	2,957
Total Receipts	140,000	146,337	6,337	134,000	136,957	2,957
DISBURSEMENTS						
Contractual obligations	176,600	170,402	6,198	156,200	140,477	15,723
Other	5,282	0	5,282	30,637	0	30,637
Total Disbursements	181,882	170,402	11,480	186,837	140,477	46,360
RECEIPTS OVER (UNDER) DISBURSEMENTS	-41,882	-24,065	17,817	-52,837	-3,520	49,317
CASH, JANUARY 1	41,882	78,440	36,558	52,837	81,960	29,123
CASH, DECEMBER 31	$ 0	54,375	54,375	0	78,440	78,440

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BOARD FOR THE CARE OF THE HANDICAPPED FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 265,000	261,959	-3,041	250,000	268,911	18,911
Intergovernmental	1,050	1,783	733	7,000	2,600	-4,400
Interest	5,000	10,845	5,845	3,000	14,061	11,061
Total Receipts	271,050	274,587	3,537	260,000	285,572	25,572
DISBURSEMENTS						
Contract services	147,000	395,421	-248,421	486,500	362,607	123,893
Administrative expenditures	2,000	1,231	769	2,000	1,231	769
Total Disbursements	149,000	396,652	-247,652	488,500	363,838	124,662
RECEIPTS OVER (UNDER) DISBURSEMENTS	122,050	-122,065	-244,115	-228,500	-78,266	150,234
CASH, JANUARY 1	122,426	294,303	171,877	356,426	372,569	16,143
CASH, DECEMBER 31	$ 244,476	172,238	-72,238	127,926	294,303	166,377

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMBINED LOCAL USE TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 29,400	31,240	1,840
Total Receipts	29,400	31,240	1,840
DISBURSEMENTS			
Transfers out	480,000	216,000	264,000
Total Disbursements	480,000	216,000	264,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-450,600	-184,760	265,840
CASH, JANUARY 1	668,122	668,122	0
CASH, DECEMBER 31	$ 217,522	483,362	265,840

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION OF YOUTH SERVICES - TRACKER PROGRAM FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 13,887	12,618	-1,269
Transfers in	3,020	3,020	0
Total Receipts	16,907	15,638	-1,269
DISBURSEMENTS			
Salaries and fringe benefits	13,137	19,274	-6,137
Office and other	750	0	750
Total Disbursements	13,887	19,274	-5,387
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,020	-3,636	-6,656
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 3,020	-3,636	-6,656

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION OF YOUTH SERVICES - HENTZ SCHOOL FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 105,264	133,037	27,773
Interest	0	483	483
Other	0	85	85
Transfers in	51,307	51,307	0
Total Receipts	156,571	184,912	28,341
DISBURSEMENTS			
Salaries	81,265	137,415	-56,150
Counseling services	4,650	0	4,650
Rent and facility maintenance	19,199	0	19,199
Equipment	150	0	150
Total Disbursements	105,264	137,415	-32,151
RECEIPTS OVER (UNDER) DISBURSEMENTS	51,307	47,497	-3,810
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 51,307	47,497	-3,810

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION OF YOUTH SERVICES - CONTINGENCY PROBATION MANAGEMENT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,216	2,433	1,217
Transfers in	3,477	5,676	2,199
Total Receipts	4,693	8,109	3,416
DISBURSEMENTS			
Salaries and fringe benefits	2,957	7,347	-4,390
Mileage	60	0	60
Total Disbursements	3,017	7,347	-4,330
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,676	762	-914
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 1,676	762	-914

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION I INTEREST FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 2,500	379	-2,121
Total Receipts	2,500	379	-2,121
DISBURSEMENTS			
Office expenditures	1,350	1,494	-144
Total Disbursements	1,350	1,494	-144
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,150	-1,115	-2,265
CASH, JANUARY 1	6,694	6,702	8
CASH, DECEMBER 31	$ 7,844	5,587	-2,257

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION II INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 1,000	655	-345	1,700	1,259	-441
Other	0	0	0	0	1,226	1,226
Total Receipts	1,000	655	-345	1,700	2,485	785
DISBURSEMENTS						
Office expenditures	850	152	698	1,700	1,936	-236
Other	0	575	-575	0	7,897	-7,897
Total Disbursements	850	727	123	1,700	9,833	-8,133
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	-72	-222	0	-7,348	-7,348
CASH, JANUARY 1	0	437	437	0	7,785	7,785
CASH, DECEMBER 31	$ 150	365	215	0	437	437

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION III INTEREST FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 300	317	17
Total Receipts	300	317	17
DISBURSEMENTS			
Office expenditures	200	126	74
Total Disbursements	200	126	74
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	191	91
CASH, JANUARY 1	366	655	289
CASH, DECEMBER 31	$ 466	846	380

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Board for the Care of the Handicapped, or the Senior Citizen Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff's Drug Enforcement Fund	1998 and 1997
Drainage District No. 12 Fund	1998 and 1997
Domestic Violence Shelter Board Fund	1998 and 1997
Law Library Fund	1998 and 1997
Contingency Probation Management Fund	1998 and 1997
Hentz School Fund	1998 and 1997
Tracker Program Fund	1998 and 1997
Jail Commissary Fund	1998 and 1997
CDBG - Public Water Supply District #1 Fund	1998 and 1997
CDBG - Public Water Supply District #3 Fund	1998 and 1997
Division I Interest Fund	1998
Division III Interest Fund	1998
Sheriff's Civil Fees Fund	1998
K-9 Patrol Fund	1998
DARE Fund	1998
CDBG - Brown Cabinets Economic Development Fund	1998
Prosecuting Attorney Crime Reduction Fund	1997
Local Use Tax Fund	1997
Law Enforcement Use Tax Fund	1997
Road and Bridge Capital Improvements Use Tax Fund	1997
Inmate Telephone Income Fund	1997

The County Clerk does not prepare separate budgets for the Road and Bridge Capital Improvement-Eastern District Fund and the Road and Bridge Capital Improvement-Western District Fund. During 1998 and 1997, the activity and cash balances of the Road and Bridge Capital Improvement-Eastern District Fund and the Road and Bridge Capital Improvement-Western District Fund were included in the budget for the Road and Bridge Capital Improvement, Eastern and Western District Fund.

During 1998, the County Clerk did not originally budget the Local Use Tax Fund, the Law Enforcement Use Tax Fund and the Road and Bridge Capital Improvement Use Tax Fund, however in December 1998 the County Commission approved an amended budget in which the activity and cash balances of the Local Use Tax Fund, the Law Enforcement Use Tax Fund and the Road and Bridge Capital Improvements Use Tax Fund were budgeted in the Combined Local Use Tax Fund.

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Delinquent Tax Fund	1998 and 1997
Law Enforcement Training Fund	1998

Prosecuting Attorney Crime Reduction Fund	1998
Board for the Care of the Handicapped Fund	1998
Division of Youth Services - Tracker Program Fund	1998
Division of Youth Services - Hentz School Fund	1998
Division of Youth Services - Contingency Probation Management Fund	1998
Division II Interest Fund	1997
Prosecuting Attorney Training Fund	1997
Division I Interest Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the General Revenue Fund for the years ended December 31, 1998 and 1997.

However, the budgets of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998 and 1997
Contingency Probation Management Fund	1998 and 1997
Hentz School Fund	1998 and 1997
Tracker Program Fund	1998 and 1997
Jail Commissary Fund	1998 and 1997
Division of Youth Services - Probation Management Fund	1998
Sheriff's Civil Fees Fund	1998
K-9 Patrol Fund	1998
DARE Fund	1998
Road and Bridge Capital Improvement -	

Eastern District Fund	1997
Road and Bridge Capital Improvement - Western District Fund	1997
Prosecuting Attorney Crime Reduction Fund	1997
Recorder's User Fees Fund	1997
Senior Citizen Service Fund	1997
Local Use Tax Fund	1997
Law Enforcement Use Tax Fund	1997
Road and Bridge Capital Improvements Use Tax Fund	1997
Division I Interest Fund	1997
Division II Interest Fund	1997
Division III Interest Fund	1997
Sheriff's Drug Enforcement Fund	1997
CDBG - Public Water Supply District #1 Fund	1997
CDBG - Public Water Supply District #3 Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

At December 31, 1998, the reported amount of the county's deposits was $2,060,407 and the bank balance was $2,300,109. Of the bank balance, $2,243,217 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $56,892 was covered by collateral pledged by one bank and held in the

county's name by the safekeeping department of an affiliate of the same bank holding company.

At December 31, 1997, the reported amount of the county's deposits was $1,503,434 and the bank balance was $1,523,303. Of the bank balance, $1,487,156 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $36,147 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Investments

The only investments of the various funds at December 31, 1998 and 1997, were investment accounts established with the county's depositary bank. The county instructs its depositary bank to invest these accounts, and at December 31, 1998 and 1997, the underlying securities were U.S. government securities with carrying amounts of $1,194,326 and $1,970,234, respectively, (which approximated market). These amounts represent uninsured and unregistered investments for which the securities were held by the county's depositary bank through a book entry customer account at the Federal Reserve Bank.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $634,333 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $317,159. As of December 31, 1998, $118,934 remains to be paid.

Supplementary Schedule

Schedule

BUTLER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	N/A	$ 3,330	437
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	137,992	134,461
	Office of Administration -			
10.7	Schools and Roads - Grants to States	N/A	64,676	81,926
	U.S. DEPARTMENT OF DEFENSE			
	U.S. Army Corps of Engineers-			
12.unknown	Direct program - Contract for law enforcement services	DAC43-91-H-0601	23,604	22,440
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	94PF010	15,677	49,935
		97PF004	103,802	5,500
		98MO006	35,069	0
	Program Total		154,548	55,435
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	N/A	4,083	5,000
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants			
	COPS Small Community Program	98-CGWX-0062	10,942	0
	COPS FAST/COPS Universal Hiring Program	95-CFWX-3812	28,442	11,809
	Program Total		39,384	11,809
	Passed through:			
	State Department of Public Safety -			
16.6	Byrne Formula Grant Program	N/A	1,256	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			

20.2	Off-System Bridge Replacement and	BRO-012-08	0	60,957
	Rehabilitation Program	BRO-012-13	0	39,182
		BRO-012-15	726	0
		BRO-012-16	10,129	0
		BRO-012-18	18,773	0
		STP-9900013	3,077	14,134
	Program Total		32,705	114,273
::				
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	22,127	45,527
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants		5,775	7,193
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	114,771	113,262
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO1468111PSI	3,235	1,698
		ERO1468111OSS	5,020	10,350
		ERO1468111GPH	567	165
	Program Total		8,822	12,213
	Department of Social Services, Division of Youth Services -			
93.7	Social Services Block Grant - Juvenile			
	Court Diversion Program			
	Intensive Care Probation	ERO172020	371	1,278
	Day Treatment (Hentz School)	ERO172076	88,656	11,821
	Status Offenders	ERO172077	15,632	1,955
	Program Total		104,659	15,054
	Department of Health -			
93.9	Cooperative Agreements for State-Based	N/A	0	2,080
	Comprehensive Breast and Cervical Cancer			
	Early Detection Programs			
94.0	Preventive Health and Health Services Block Grant	AOC80000088	27,963	28,803
94.0	Maternal and Child Health Services	ERO1757111FP	7,931	10,368
	Block Grant to the States	ERO1757111	0	1,757
		ERO1758111MCH	38,264	37,013
	Program Total		46,195	49,138
	Total Expenditures of Federal Awards		$ 791,890	699,051

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

BUTLER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Butler County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $154,548 and $55,435 to subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Butler County, Missouri

Compliance

We have audited the compliance of Butler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Butler County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

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with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 through 98-3.

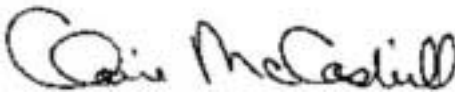
Internal Control Over Compliance

The management of Butler County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 through 98-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Schedule

BUTLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	X no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	X none reported
Noncompliance material to the financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	X no
Reportable conditions identified that are not considered to be material weaknesses?	X yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	X yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program
20.205	Off-System Bridge Replacement and Rehabilitation Program

93.667 Social Services Block Grant-Juvenile Court Diversion Program
Dollar threshold used to distinguish between Type A
and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-1. Schedule of Expenditures of Federal Awards

Federal Grantor: U.S. Department of Agriculture
Pass-Through Grantor: Department of Health
Federal CFDA Number: 10.557
Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity
Identifying Number: Not Applicable
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Department of Economic Development
Federal CFDA Number: 14.228
Program Title: Community Development Block Grants/State's Program
Pass-Through Entity
Identifying Numbers: 94PF010, 97PF004, and 98MO006
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program

Pass-Through Entity Identifying Numbers:	BRO-012-08, BRO-012-13, BRO-012-15, BRO-012-16, BRO-012-18, and STP-9900013
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services, Division of Youth Services
Federal CFDA Number:	93.667
Program Title:	Social Services Block Grant - Juvenile Court Diversion Program
Pass-Through Entity Identifying Numbers:	ERO172020, ERO172076, and ERO172077
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have a procedure in place to track federal awards for preparation of the SEFA. The county did not prepare and submit a SEFA to the State Auditor's Office for the year ended December 31, 1997. The county prepared a SEFA for the year ended December 31, 1998; however, the schedule only included three of the seventeen federal programs the county participated in during the year ended December 31, 1998. In addition, the information presented by the County Clerk for two of the three programs did not agree with the county's expenditure records.

Without an accurate and timely SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's Office as a part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk provided the following response:

I will make every effort to identify and report federal expenditures. The recommendation will be implemented for the SEFA submitted in January 2000.

98-2. Hentz School Contract for Services

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services, Division of Youth Services
Federal CFDA Number:	93.667
Program Title:	Social Services Block Grant - Juvenile Court Diversion Program
Pass-Through Entity Identifying Number:	ERO172076
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

The Butler County Juvenile Office operates the Hentz School which is an alternative school for the Thirty-Sixth Judicial Circuit. The Hentz School is designed to provide intervention services and divert at-risk youth from being committed to a juvenile detention facility. Until November 1997, the previous Associate Circuit Judge served as the grant administrator. Since November 1997, the Circuit Judge has served as the grant administrator. Funding for the Hentz School operations is obtained mostly through federal and state grant programs.

Expenditures made from the Hentz School Fund during the years ended December 31, 1998 and 1997 included approximately $130,000 and $128,000, respectively, to reimburse the Poplar Bluff School District for teachers' salaries. The county did not enter into a written agreement with the school district documenting the services to be provided and the payments to be made from the Hentz School Fund. The county should ensure that written contracts are entered into for significant expenditures. These contracts should be retained and reviewed to ensure that services are provided and payments made comply with the contract terms. In addition, the county did not obtain the required suspension/debarment certification from the school district.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* in Part I of the Compliance Supplement, requires that states, and government subrecipients of states, use the same policies and procedures used for procurements from non-federal funds. As a result, contracts for services should comply with Section 432.070, RSMo 1994, which requires all contracts to be in writing. In addition, Circular A-133 requires that contractors receiving individual awards for $100,000 or more must certify that the organization is not suspended or debarred from participating in federal awards or contracts.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission and the grant administrator ensure that written contracts are entered into and retained to support significant expenditures of grant funds. In addition, the appropriate suspension/debarment certification should be obtained from the school district.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We concur with this recommendation and will approve an appropriate contract when negotiated by the grant administrator with the school.

At the request of the Circuit Judge, the Associate Circuit Judge and the Juvenile Officer provided the following response:

The Juvenile Officer will work with the school district to obtain a written agreement if possible. We will request a suspension/debarment status certification from the school district.

98-3. Procurement of Professional Service Contracts

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity Identifying Numbers:	BRO-012-18, and STP-9900013
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded.

During our review, we noted the county did not have documentation regarding the consideration of at least three engineering firms for bridge projects BRO 012(18) and STP9900013. The County Clerk indicated the County Commission does not solicit annual statements of qualifications from engineering firms and negotiates contracts without consideration of other qualified firms. Two engineering firms were paid more than $14,000 during the two years ended December 31, 1998. Because the county did not consider other engineering firms, the county does not have assurance that the engineering fees paid were reasonable.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in Part I of the Compliance Supplement, requires that states, and government subrecipients of states, use the same policies and procedures used for procurements from non-federal funds. As a result, the procurement of services should comply with Sections 8.289 and 8.291, RSMo 1994, which provide that when engineering services for any capital improvement project are obtained, at least three firms should be

considered. Furthermore, any agency of the state or political subdivision thereof that utilizes engineering services shall encourage engineering firms to annually submit a statement of qualifications and performance data. The firms should be evaluated based on specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

WE RECOMMEND the County Commission obtain the required statutory information when procuring professional services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We will implement a policy in calendar year 2000 in accordance with state law regarding the procurement of engineering services and annual statements of qualifications.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

BUTLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

BUTLER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

10. Hentz School

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services, Division of Youth Services
Federal CFDA Number:	93.667
Program Title:	Social Services Block Grant - Juvenile Court Diversion Program
Pass-Through Entity Identifying Numbers:	ERO172060 and ERO172053
Award Years:	1995 and 1996
Questioned Costs:	$572 and $5,522

B. Written contracts were not entered into and maintained for teachers' salaries.

D. Reimbursement requests were not based on actual expenditures.

Recommendation:

The County Commission work with the Associate Circuit Judge to ensure:

B. Written contracts are entered into and retained to support significant expenditures of grant funds.

D. Reimbursement of federal funds is requested in accordance with grant guidelines.

Status:

B. The county has not entered into a written agreement with the school district.

D. Grant funding is now requested on a reimbursement basis.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

BUTLER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. We also have audited the compliance of Butler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Health Center Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These findings resulted from our audit of the special-purpose financial statements of Butler County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Budgetary Practices and Published Financial Statements

The County Clerk and County Commission are responsible for preparing and approving a county budget and publishing an annual financial statement. Prior audit reports have addressed the inadequacy of the county's budgetary practices and published financial statements. This condition has not improved since our last audit. The County Clerk apparently made little effort to ensure that budget documents were accurate and complete or reconciled to the County Treasurer's financial information. Our review of Butler County's 1998 and 1997 budgets and published financial statements revealed many deficiencies as identified below:

A. Formal budgets were not prepared for various county funds and budgets were not obtained from other county officials for some county funds held outside the county treasury for the years ended December 31, 1998 and 1997. In addition, a separate budget is not prepared for each county fund. For example, combined budgets are prepared for the two Road and Bridge Capital Improvement funds and the three Use Tax funds. Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

B. The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activities of the county. Reconciliations between the County Clerk's and County Treasurer's records are not adequate and a thorough review of financial activity presented in the budget is not performed. Although the revenue and expenditure detail is obtained by the County Clerk from his revenue and expenditure ledgers, numerous inaccuracies were noted in the actual information presented in the county's budget documents for 1999 and 1998. These errors included mistakes and typographical errors made when transferring financial information to the budget forms, failure to clear old data from the budget forms, failure to include expenditure transactions made by the County Treasurer and Prosecuting Attorney, and the inclusion of a transfer made and recorded during January 1999 in the 1998 budget. Actual revenues and expenditures were over (under) stated in various budgets prepared by the County Clerk as shown in the following table:

Fund	Year Ending December 31, 1998 Revenues	1998 Expenditures	1997 Revenues	1997 Expenditures
General Revenue	$ (145,944)	91,893	49,723	168,193
Special Road and Bridge	N/A	1,687	45,139	68
Assessment	N/A	142	(35,000)	(3,583)
Prosecuting Attorney Training	N/A	1,073	N/A	N/A
Prosecuting Attorney Bad Check	N/A	21	N/A	(1,487)
Law Enforcement Complex	N/A	(145,000)	4,337	N/A
Road and Bridge Capital Improvement-Eastern and Western District	675	(1,052)	55,957	35
Division II Interest	N/A	N/A	1,229	7,897
Summary Totals	$ (145,269)	(51,236)	121,385	171,123

These errors could have been detected if reconciliations between the County Clerk's and County Treasurer's revenue, expenditure, and cash balances had been performed and if a thorough review of the final budget had been performed by the County Clerk or County Commission. Considering the various errors and omissions noted, the approved budgets did not provide Butler County citizens with reliable information about the county's finances.

Adjustments have been made to the audited financial statements so that information presented reconciles to the County Treasurer's revenue, expenditure, and cash balance totals.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

C. The county includes an emergency fund budget within the General Revenue Fund's estimated disbursements. Section 50.540.4, RSMo 1994, requires the county to budget an estimate for the emergency fund in an amount equal to at least three percent of total estimated receipts. Although $62,500 was budgeted for the emergency fund in 1998 and 1997, this amount was insufficient by $42,600 and $35,843 in each year, respectively, to meet the required minimum at the time the budgets were prepared. Had the appropriate emergency fund amount been budgeted, the county would not have had a balanced budget for 1997.

D. Disbursements exceeded the approved budgets for the following funds:

Fund	Year Ended December 31, 1998	1997
Law Enforcement Training Fund	7,989	N/A
Prosecuting Attorney Training Fund	N/A	761
Prosecuting Attorney Crime Reduction Fund	9,163	N/A
Prosecuting Attorney Delinquent Tax Fund	203	4,194
Board for the Care of the Handicapped Fund	247,652	N/A
Division of Youth Services - Tracker Fund	5,387	N/A
Division of Youth Services - Hentz School Fund	32,151	N/A
Division of Youth Services - Contingency Probation Management Fund	4,330	N/A
Division I Interest Fund	N/A	144
Division II Interest Fund	N/A	8,133

Although the Board for the Care of the Handicapped approved and budgeted $350,000 for the construction of a new residential center in 1997, at least $138,000 of construction costs had not been paid as of December 31, 1997. However, the board did not include in the 1998 budget the remaining construction costs scheduled to be paid during 1998. In addition, the board did not formally budget contract amendments for the residential center construction or increases in funding provided to other not-for-profit organizations during 1998.

The County Clerk prepares quarterly analyses of budgeted and actual expenditures for the General Revenue and Special Road and Bridge funds and these reports are provided to the County Commission; however, budget and actual analysis reports are not prepared for other county funds. As a result, the county does not properly monitor expenditures of the various county funds.

It was ruled in State ex rel. Strong v. Cribb 364 Mo. 1122, 273 SW2d 46(1954), that county officials are required to strictly comply with the county budget laws. If there are valid reasons which necessitate excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

E. Our review of the annual financial statement published by the county noted the following concerns:

1. The county's published financial statements are not accurate or complete. Information contained in the published financial statements did not agree to the county's budget information and did not include appropriate revenue and expenditure detail as required by Section 50.800, RSMo 1994. Revenues are not presented by source, expenditure detail is not shown for many county funds, and cash balances do not agree to the Treasurer's records.

2. The annual published financial statements did not include the financial activity of several county funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds.

To adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be presented in the level of detail required by law and should be reconciled to the county's financial information.

Chapter 50, RSMo 1994, prescribes the procedures to be used by the county to prepare and approve the annual budget and to publish the county's financial statements. It is important for the county to follow these procedures so they can properly monitor the financial status of the county and keep the residents of the county informed about county operations.

Conditions similar to A, B, D, and E were noted in our prior report. Although the County Commission and County Clerk stated they concurred with our prior recommendations, no corrective action has been taken.

WE RECOMMEND the County Commission:

A. Ensure financial information for all county funds is included in the budgets and that separate budgets are prepared for each fund.

B. Ensure the budget document contains complete and accurate information about the county's finances and agrees to the County Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.

C. Budget the emergency fund in the General Revenue Fund in an amount equal to at least three percent of total estimated receipts in accordance with state law.

D. And the Board for the Care of the Handicapped and the Division I and Division II courts keep disbursements within the budgetary limits. If additional funds are received which could not be estimated when the budget was adopted, the County

Commission should amend the budget by following the procedures required by state law.

E. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is reconciled to the county's financial records and properly reported in the annual financial statements.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

A,D, & E. We concur.

B. The County Clerk performs a monthly reconciliation of receipts, disbursements, and cash balances with the County Treasurer's records. These reconciliations will provide for greater accuracy in the county's budgets.

C. We will ensure we set aside the required three percent emergency budget.

The President of the Board for the Care of the Handicapped provided the following response:

D. I will discuss this issue with the board. The 1998 over expenditure was a one time occurrence that is not likely to happen again. The board thought that since construction expenditures were budgeted in 1997, the remaining construction costs did not require budgeting in 1998.

The Division II Judge provided the following response:

D. The Court Clerk advises me that this problem was recognized and corrected in 1997 and it will not happen again.

2. Property Tax Controls and Procedures

A. Controls over property tax additions and abatements are not adequate. The County Collector makes manual changes to the tax records for additions and abatements occurring throughout the year. During our review we noted the following concerns:

- Information regarding abatements is communicated to the Collector by the Assessor verbally or through informal notes which are discarded by the Collector after the tax books have been adjusted.

- The County Assessor does not maintain any supporting documentation regarding the abatements and additions that are sent to the County Collector.

- The County Collector prepares court orders for personal property additions and abatements and real estate changes and submits them to the County Clerk for the County Commission's review and approval. However, no subsequent independent review of additions or abatements is performed against the actual changes in the tax books or to the amounts reflected on the County Collector's annual settlement.

Section 137.260, RSMo 1994, requires that the tax book only be changed by the clerk of the county commission under order of the County Commission. Controls should be established so the County Clerk prepares all court orders for additions and abatements from information received directly from the Assessor's Office. Prenumbered addition and abatement forms received directly from, and approved by, the Assessor would allow the County Commission to verify the accuracy of additions and abatements reported by the Collector on his annual settlements.

B. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from the tax books, abstracts, court orders, and monthly statements of collections, would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and can be used by the County Commission to verify the County Collector's annual settlements.

Additionally, Section 51.150.1, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

C. The County Assessor obtains the tax rates from the County Collector, and enters them into the computer system and the Collector generates the tax books. The County Clerk does not recalculate, on a test basis, the tax book extensions, page totals, or grand total of the tax books to verify the tax books charged to the County Collector. Sections 137.290 and 140.050, RSMo 1998 Cum. Supp., require the County Clerk to extend tax books and to charge the County Collector with the total amount of the current tax books and the aggregate amount of taxes and fees in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide a system of checks and balances. Failure to perform reviews of the tax books and test some individual tax bill computations may result in failure to discover errors and irregularities.

Similar conditions were noted in our prior audit report.

WE AGAIN RECOMMEND the County Clerk:

A. Prepare prenumbered addition and abatement court orders from information received directly from the Assessor's Office and periodically reconcile additions and abatements to changes made to the property tax books. The Assessor should maintain copies of the information that is given to the County Clerk. In addition, the County Commission should review and approve all additions and abatements on a more timely basis.

B. Establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

C. Review the tax books for accuracy, test individual tax bills and tax book page totals for accuracy, and document all procedures performed.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

A. Court orders prepared by the County Assessor are now submitted to the County Clerk for the County Commission's review and approval. The County Clerk's Office will consider obtaining prenumbered court orders and will begin reconciling additions and abatements recorded by the County Collector on her monthly settlements.

B. We concur.

C. This recommendation has been implemented for tax year 1999 tax books.

The Assessor provided the following response:

A. We now maintain supporting documentation regarding additions and abatements that are sent to the County Collector for personal property. In addition, we now prepare court orders for the County Clerk to correct errors in real estate assessments. We retain copies of these court orders.

3. Collateral Security

The county does not formally monitor its bank balances to ensure that the county's depositary banks pledge sufficient collateral securities. Because the county failed to monitor amounts pledged it did not determine that the depositary bank was not including the collector's account when determining the amount of collateral security to pledge. As a result, the amount of collateral security pledged by the county's depositary bank as of December 31, 1998 and 1997, was insufficient by approximately $1,567,000 and $511,000, respectively, to cover the Collector's funds.

Section 110.020, RSMo 1994, provides that the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the county's funds unsecured and subject to loss in the event of a bank failure.

To ensure sufficient collateral securities are pledged, the county should monitor the level of bank activity and notify the depositary banks when additional securities need to be pledged.

WE RECOMMEND the County Commission ensure adequate collateral securities are pledged to protect the county's funds. This can be done by monitoring bank activity and providing timely notice to the depositary banks of the need for additional collateral securities to be pledged.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will work with the bank and the County Treasurer to ensure the county's cash balances are properly monitored.

The County Treasurer provided the following response:

I will work with the County Collector to ensure that securities pledged by the bank are adequate to fully collateralize the county's deposits. I have begun comparing the fund balances from the Treasurer's fund ledger to pledged securities on a monthly basis.

4. County Commission Minutes

The County Clerk does not prepare adequate records of the meetings of the County Commission. Items such as bid solicitations and selections, transfers between funds, and various other decisions made by the County Commission are not always documented in the minutes. In addition, the typed minutes are not reviewed and signed by the Presiding Commissioner or an Associate Commissioner in his absence. Finally the minutes are not prepared in a timely manner. The December 1998 minutes were prepared in April 1999.

Section 51.120, RSMo 1994, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

Similar conditions were noted in our two prior reports.

WE AGAIN RECOMMEND the County Commission ensure a complete record of meetings is prepared and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We have implemented this recommendation.

5.	Personnel Policies and Procedures

A. Annual leave, sick leave and compensatory time balances are not centrally maintained and are not always compared to monthly employee time sheets to ensure their accuracy. Some leave records are maintained by individual officeholders. However, other officeholders do not maintain leave records adequate to account for employees' accumulated leave balances. We reviewed time sheets for the year ended December 31, 1998 for the employees of the County Clerk's Office. During our review we noted the following discrepancies:

- Overtime worked by the employees of the County Clerk's Office was not always recorded on the employees' time sheets and did not reconcile to the separate leave cards maintained by the office manager.

- One clerk took one more day of vacation than she had earned during the year. However, the same employee allowed over three days of unused compensatory time to lapse at the end of the calendar year.

- Two employees of the County Clerk's Office did not record time worked or leave taken on their time sheets for a total of five regular working days; however, these employees were paid based on their normal salary amount for the month.

- The county pays employees for unused sick leave at the end of each calendar year. There are no formal sick leave records maintained to support the payment of unused sick leave balances.

Reconciling employee time sheets to leave records monthly would ensure that employees' annual leave, sick leave, and compensatory leave time balances are accurate and time sheets properly document hours worked. Centralized leave records would aid in determining the amount the county pays an employee for unused sick leave and final compensation for employees leaving county employment. In addition, such records would better document compliance with the Fair Labor Standards Act.

B. Time sheets are not maintained by the County Clerk's Office for Sheriff Road Deputies, Sheriff Detectives and the Road and Bridge employees. Also, time sheets are not always signed by the employee and the employee's supervisor. Properly

completed time sheets prepared and signed by the employee and approved by the employee's supervisor provide supporting documentation for payroll expenditures.

C. Three Road and Bridge employees are allowed to use county vehicles to commute to and from work. The County Commission indicated these employees are on-call 24 hours a day for emergency situations.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs are not maintained for the highway department vehicles and are not required by the county.

Procedures have not been established to ensure that IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

D. Uniform allowances of $65 a month were paid to the Sheriff and deputies during the two years ended December 31, 1998. The Sheriff and deputies are not required to submit invoices or an itemized expense report to support the allowance, nor are uniform allowances reported on W-2 forms.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments.

Conditions similar to A, C, and D were noted in our two prior reports.

WE RECOMMEND the County Commission:

A. Require the County Clerk to maintain centralized leave records and ensure those records reconcile to the employees' time sheets.

B. Ensure time sheets are signed by all employees and the employee's supervisor to provide supporting documentation for payroll expenditures.

C. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.

D. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. We will work with the other elected county officials to implement county wide leave records.

B&D. We concur.

C. We will make an effort to obtain documentation of employees' use of county vehicles and establish a written policy.

6. General Fixed Assets

The County Clerk maintains a computerized inventory listing of general fixed assets held by county officials. Our review of the county general fixed asset records and control procedures indicated that procedures are not adequate to ensure fixed asset purchases and dispositions are properly recorded in the general fixed asset records. Four of the fixed asset purchases tested totaling over $40,000 were not recorded on the inventory records.

A. The county does not have formal procedures for disposing of county owned property. Some sold and discarded assets have been marked disposed but are still included in the total asset value on the inventory listing. Written authorization is not consistently obtained from the County Commission for property items disposed of. Currently, when an item is no longer needed or useful, the officeholder or department head will dispose of the property or place the item in storage; however, the County Clerk is not always notified of these actions. As a result, the County Commission and the County Clerk are not always aware of the disposal or possible availability of the items no longer being used.

Written authorization for the disposal of property is necessary to lessen the possibility of misuse and to provide adequate support for changes to the general fixed asset records. Disposed assets must be removed from the inventory listing to ensure county assets are properly valued.

B. Property records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of each year and property purchases are not reconciled to the additions per the inventory records.

C. The duties of fixed asset custody and performing inventory counts are not adequately segregated. The County Clerk provides a listing of fixed assets to each officeholder around each year-end. The officeholder (asset custodian) is responsible for conducting the physical inventory of his/her office. Although the County Clerk indicated he performed spot checks to ensure the inventory counts are accurately and

properly performed by the officeholders, there was no documentation of these reviews.

Section 51.155, RSMo 1998 Cum. Supp., requires the County Clerk to keep a continuous annual inventory of each item with an original value of $250 or more, identified by descriptive name, make and serial number, where appropriate, and a statement of changes in asset balances from the previous year. In addition, adequate general fixed asset records are necessary to secure better internal control over county property and to provide a basis for determining proper insurance coverage.

Similar conditions were noted in our two prior reports.

WE AGAIN RECOMMEND the County Clerk:

A. Document the County Commission's approval of all property dispositions and remove all disposed assets from the inventory totals in a timely manner.

B. Maintain fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year end balances and reconcile fixed asset purchases per the expenditure records to additions per the inventory records.

C. Provide an adequate segregation of duties between the custody of fixed assets and the performance of inventory counts.

AUDITEE'S RESPONSE

Due to House Bill No. 402, First Regular Session, 90th General Assembly, which changes the responsibility of accounting for fixed assets as of August 1999, the County Commission provided the following response:

We will work with the new statutes to ensure fixed assets are accounted for in a proper and legal manner.

7.	Documentation of County Expenditures

We noted instances in which the County Commission approved payments to the Poplar Bluff Chamber of Commerce without requiring or retaining adequate supporting documentation. Donations of $25,000 and $5,000 were made to the chamber during the years ended December 31, 1998 and 1997, respectively. In February 1998, an engagement letter/contract was obtained from the chamber indicating that all industrial and economic development needs of the county for 1998 would be handled by the chamber. In February 1997, the county simply received a billing from the chamber for 1997 membership dues. However, there were no further specifications of services to be provided or progress reporting requirements. Failure to provide for specifications of services to be received in the county's contracts could prevent the county from adequately monitoring the actual services received and from determining whether the amount paid was reasonable compared to the services that were rendered.

To ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments to vendors and contracts should be sufficiently detailed to allow the commission a basis for adequately monitoring the services received and determining whether the amount paid was reasonable compared to the services that were rendered.

WE RECOMMEND the County Commission obtain adequate supporting documentation for all payments to vendors and ensure contracts are sufficiently detailed.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The 1999 contract between the county and the Chamber of Commerce provides greater detail and an Associate Commissioner serves as an Ex Officio member of the chamber's board of directors. Minutes and reports from the board of directors meetings are now filed with the County Commission.

8. Assessment Fund Reimbursements

Section 137.750, RSMo 1994, allows counties to be reimbursed for a portion of all qualified costs and expenses of the Assessor's Office. The County Clerk does not reconcile assessment reimbursement claims to actual expenditures and does not ensure that the reimbursement claim forms are properly completed and accurately calculated. We noted that corrections were made by the state for various mathematical errors on the claim forms. In addition, during the years ended December 31, 1998 and 1997, the expenses reported by the County Clerk on the claim forms were overstated by approximately $1,000 and $3,000, respectively. As a result, the county received excess reimbursements from the state totaling approximately $500 and $1,500, respectively. The County Clerk's Office could not determine why the billings were overstated and could not locate expenditure records to support the actual amounts claimed. We noted similar immaterial assessment reimbursement

claim discrepancies in the prior audit which were discussed with the County Clerk and the County Commission; however, it appears improvements have not been made.

WE RECOMMEND the County Clerk contact the State Tax Commission regarding this situation and take appropriate action to correct the overpayments. In addition, the County Commission should ensure assessment reimbursement claims are reconciled to the expenditure records, are properly completed, and accurately calculated.

AUDITEE'S RESPONSE

The County Clerk and the County Commission provided the following response:

We concur.

9. Associate Circuit Division's Accounting Controls and Procedures

		Criminal Account	Civil Account
Reconciled bank balance	$	86,943	10,530
December fees paid out in January		(50,388)	(8,737)
Open items		(34,047)	(310)
Interest due to Division II Interest Fund		(96)	(12)
Uncorrected errors		(459)	(5)
Unidentified cash balance	$	1,953	1,466

As of December 31, 1998, the Associate Circuit Division's cash balances were $86,943 and $10,530 for the Criminal and Civil accounts, respectively. Liabilities were not reconciled to cash balances on a timely basis. Monthly listings of open items (liabilities) were not prepared during the year ended December 31, 1998. However, during the first few months of 1999, open items listings were prepared for each month of 1998 for the Criminal and Civil accounts. Upon preparing these reconciliations, errors and other differences were located; however, proper correcting entries have not been made in a timely manner. The December 31, 1998 open items reconciliations documented the following reconciling items and unidentified differences:

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. Timely adjustments should be made to the accounting records for identified differences and reasons should be determined for unidentified differences. If proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with unclaimed property statutes.

WE RECOMMEND the Associate Circuit Division prepare a monthly open items listing and reconcile it to the monthly cash records. The Division should determine reasons for all unidentified cash balances, make adjustments to the accounting records for identified differences, and investigate fluctuations in the unidentified balance in a timely manner. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following response:

Shortly after I took office, the exit team met with me and made these recommendations. I asked the clerks to implement changes immediately and they are doing so.

10. County Clerk's Accounting Controls and Procedures/Missing Funds

During our audit of the County Clerk's Office, discrepancies were noted between recorded receipts and amounts transmitted to the County Treasurer. The County Clerk accepts cash, checks, and money orders for payment of notary commissions, auctioneer license fees, liquor license fees, map sales and other miscellaneous receipts. The County Clerk's Office does not maintain a bank account for these fees, but transmits them to the County Treasurer monthly. Transmittals to the County Treasurer exceeded $2,000 for the two years ended December 31, 1998. The following weaknesses in internal control procedures were noted.

A. The County Clerk's Office does not have adequate controls in place to ensure the proper safeguarding of county revenue from theft, misuse or loss. Receipts are not issued for all monies received and cash receipts are not transmitted intact to the County Treasurer. For the period January 1, 1997 through December 31, 1998, receipt slips were compared to amounts transmitted and at least $136 was apparently not transmitted. In addition, the transmittal reports do not indicate which receipts are being remitted, the composition of receipts is not reconciled to the composition of transmittal reports, and a receipt is not obtained from the County Treasurer at the time of the turnover. The County Clerk also indicated that cash receipts are sometimes used to cash personal checks for county employees.

   All payments made to the County Clerk's Office are accountable fees and should be remitted to the county treasury. To provide assurance all monies received have been

properly transmitted to the County Treasurer, prenumbered receipt slips should be issued for all monies received, receipts should be transmitted intact, transmittal reports should indicate which receipts are being remitted, and the composition of monies received should be reconciled to the composition of monies transmitted to the County Treasurer. In addition, the County Clerk should discontinue the procedure of cashing personal checks for county employees and should obtain a receipt slip from the County Treasurer at the time of the transmittal.

B. Checks and money orders are not restrictively endorsed immediately upon receipt. Endorsements are generally applied at the time transmittals are prepared. Restrictively endorsing checks immediately upon receipt will help safeguard assets from loss, misuse or theft.

C. Accounting duties are not adequately segregated. One clerk is primarily responsible for removing cash receipts from the cash drawer, preparing the monthly transmittal, and turning over fees to the County Treasurer. There is no documentation of an independent review of this clerk's work.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps provide this assurance. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented review made by the County Clerk.

Conditions similar to A. and B. were noted in our prior report and the County Clerk indicated he concurred with the recommendation and stated he would try to do better. However, no improvements were noted.

WE RECOMMEND the County Clerk:

A. Establish adequate controls to properly safeguard county revenue from theft, misuse or loss. Issue receipt slips for all monies, transmit monies received intact and obtain a receipt slip from the Treasurer at the time of transmittal. Ensure that transmittals indicate which receipts are included in the transmittal and reconcile the cash, checks, and money orders received to the composition of receipt slips and transmittals. The County Clerk should discontinue the practice of cashing personal checks. In addition, the County Clerk should attempt to recover the missing receipts.

B. Restrictively endorse all checks and money orders immediately upon receipt.

C. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

A. I will review my office's records and determine necessary actions. I will ensure all monies are receipted and transmitted to the County Treasurer. It has been my policy that personal checks will not be cashed by employees. I will again emphasize this policy with my staff.

B. I have implemented this recommendation.

C. I will instruct my office manager to review the monthly transmittal and reconcile monies transmitted to receipt slips issued.

11. County Collector's Accounting Controls and Procedures

The County Collector's Office collected over $11 million in property taxes, fees, interest and penalties in each of the two years ended February 28, 1999. Our review of the County Collector's accounting controls and procedures disclosed the following concerns:

A. The County Collector accepts cash, checks, and money orders for payment of property taxes; however, the method of payment is not marked on the receipts. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment should be indicated on all receipts and the composition of receipts should be reconciled to the composition of deposits.

B. The County Collector does not deposit receipts intact. During our review we noted the following concerns:

1) Monies received for partial payments of property taxes are held in cash in the vault.

2) Receipts were used to cash personal checks for county employees.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed $100 and the deposit slips should indicate which receipts are included in the deposit or should reconcile to the daily abstract reports.

Similar concerns were noted in our prior audit report.

WE AGAIN RECOMMEND the County Collector:

A. Ensure the method of payment is indicated on all property tax receipts. The cash, checks, and money orders received per the receipts should be reconciled to the composition of bank deposits.

B. Deposit all monies received for partial payments intact daily and ensure deposit slips indicate which receipts are included in the deposit. In addition, the practice of cashing checks should be discontinued.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

A. Due to time pressures experienced by my office during the busy season, it does not seem feasible at this time to record the method of payment on tax receipts.

B. I now issue prenumbered duplicate receipts for all partial payments. Large partial payments are deposited in the miscellaneous account and small partial payments are held in cash in the vault. Cashing checks for county employees in small amounts does not create any record keeping or reconciliation problems for my office.

12. County Treasurer's Accounting and Banking Procedures

The County Treasurer accounts for the receipts and disbursements of the various county funds and several agency funds. Our review of the County Treasurer's accounting controls and procedures disclosed the following concerns:

A. As of December 31, 1998, the County Treasurer maintained sixteen checking accounts, three investment accounts, and two certificates of deposit. A large number of accounts causes additional record keeping and increases the likelihood that errors will occur in recording transactions.

Overall efficiency could be improved by reducing the number of accounts and combining funds in as few accounts and investment vehicles as possible. Consolidating existing accounts would also allow funds to be pooled for increased investment opportunities.

B. Although the County Treasurer compared bank balances to the balances recorded on the check stubs, she did not always formally document bank reconciliations for the county's bank accounts and did not investigate significant differences noted in her reconciliations.

In addition, the County Treasurer did not reconcile the fund ledger balances to the county's bank accounts or to the check stubs. During our review of the County Treasurer's fund ledger, we noted some fund ledger balances did not reconcile to the bank account balances. For example, the December 31, 1998 book balances of the funds maintained in the County Revenue bank account exceeded the reconciled bank account balances by approximately $5,100. Similar discrepancies have existed in the December 31 bank reconciliations since at least 1995.

Formally documenting bank reconciliations and reconciling the Treasurer's fund ledgers to the bank accounts ensures that the records are in balance and that sufficient cash is available for the payment of all county expenditures. The Treasurer should attempt to determine the reasons for differences between the fund ledger and the bank accounts and the County Commission should be consulted to determine the proper correcting entry for any unexplained differences.

C. Fifteen county funds are maintained in the County Revenue bank account. Until March 1998, the Treasurer allocated interest earned on the bank account to the three largest funds: General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund. Beginning in March 1998, the Deputy Treasurer allocated 100 percent of the interest earned to the General Revenue Fund and a review of her work was not performed by the Treasurer.

Section 110.150.2, RSMo Cum. Supp. 1998, and the Missouri Attorney General's Opinion No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, county library funds, county health center funds, special road and bridge funds, and assessment funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund.

A condition similar to A. has been reported in our three prior reports.

WE RECOMMEND: the County Treasurer:

A. Reduce the number of bank accounts maintained.

B. Perform and adequately document bank reconciliations and reconcile the fund ledger to the county's bank accounts. Investigate and correct identified differences. Finally, consult the County Commission to determine the proper correcting entry for all unexplained differences.

C. Allocate the interest earned on the County Fund bank account in accordance with the state statutes and various Attorney General opinions.

AUDITEE'S RESPONSE

The County Treasurer provided the following responses:

A. I have reduced the number of bank accounts to twelve.

B. I now reconcile the bank statements to the fund ledger and document the reconciliations. The unidentified county fund balance is now only $290.

C. I have implemented this recommendation.

13. Juvenile Office Accounting Controls and Procedures

The Juvenile Office is responsible for collecting court ordered restitution from juvenile offenders and remitting monies collected to victims. A bank account is not maintained, instead, receipts from each juvenile, in the form of money order or cash, are held in separate envelopes in the Juvenile Office's safe. Two series of receipts are maintained. The first series documents payments received from juveniles and the second series documents restitution picked up by victims. During our review of the Juvenile Office's accounting records and procedures, we noted the following concerns:

A. The Juvenile Office does not maintain a restitution ledger to account for restitution assessed, collected, and distributed for each case. In addition, documentation maintained in the juvenile restitution case files is not adequate to account for cash balances on hand for each case and does not always include complete documentation of amounts paid to victims. The Juvenile Office generally maintains a card file on each juvenile which documents total restitution due, restitution payments received, restitution balance, and payments to the victim(s). However, these cards were not always prepared in the same format which allowed information to be missing from some cards. In addition, the cards did not indicate receipt slip numbers for restitution disbursed to victims.

   Complete documentation of juvenile restitution cases provides a framework for ensuring restitution owed, paid, and distributed to victims is properly accounted for and accurately recorded and that cash balances on hand are sufficient for the payment of all liabilities (amounts due to victims).

B. Victim receipt slips did not always indicate the case number or the applicable juvenile's name. As a result, some distributions could not be related to applicable cases. In addition, distributions to victims sometimes included monies from more than one juvenile and the case numbers or juvenile names and amount associated with each case were not documented on the receipt slip.

   To provide adequate documentation that distributions to victims are proper, the juvenile name or case number should be recorded on the victim's receipt slip. In addition, if the distribution is for payments received from multiple juveniles, the victim's receipt slip should indicate which juveniles or cases were included in the distribution and how much of the distribution relates to each juvenile.

C. The payee information on many of the money orders on hand was blank and the Juvenile Office did not appear to have consistent procedures to ensure monies were distributed in a timely manner. As of January 21, 1999 we noted that $440 had been

held longer than two weeks and some receipts on hand dated back to September, 1998.

Retaining cash or money orders with incomplete payee information and failure to distribute restitution in a timely manner increases the risk of loss or theft.

D. Cash balances on hand were not reconciled to records of amounts owed to victims. Monthly reconciliations provide assurance that the records are in balance and are necessary to ensure that all receipts and disbursements are properly accounted for and that cash balances can be properly identified to appropriate liabilities and other reconciling items.

E. The duties of receiving, recording, and custody of juvenile office restitution receipts are not adequately segregated. One clerk performs these duties.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and maintaining custody of restitution receipts from that of recording receipts, and by designating someone independent of the receipting and disbursement process to perform a reconciliation of monies on hand to case file cards and other case records. If proper segregation of duties cannot be achieved, at a minimum the Juvenile Officer should periodically supervise the reconciliations between receipts on hand and the case file records and document the results of her review.

WE RECOMMEND: the Juvenile Office:

A. Maintain a restitution ledger to ensure complete documentation of juvenile restitution activity including but not limited to: juvenile and victim names, amount of restitution ordered and due to each victim, restitution payments received (including receipt date and number), balance of restitution due from the juvenile, distributions to victims (including receipt date and number), balance due to each victim, and the balance of cash on hand.

B. Record the juvenile name(s) and case number(s) on victim receipt slips.

C. Ensure the payee information is properly completed for all money orders on hand and distribute restitution to victims in a timely manner.

D. Reconcile cash balances on hand to amounts owed to victims.

E. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should

be a documented supervisory review to ensure receipts agree to amounts posted to case files and to ensure the open items lists agree to monies on hand.

AUDITEE'S RESPONSE

At the request of the Circuit Judge, the Associate Circuit Judge and the Juvenile Officer provided the following responses:

A. After the exit team met with the Circuit Judge, he met with the Juvenile Officer and the exit team's recommendations have been implemented.

B&D. These recommendations have been implemented.

C. We now distribute partial payment restitution to victims on a monthly basis. Restitution paid in full is now distributed to victims as soon as possible after it is received.

E. The Circuit Judge instructed the Juvenile Officer to segregate the duties of accounting for restitution. Since that time, the duties of receiving are performed by the front desk clerks and disbursing and reconciling the cash on hand is the responsibility of the Juvenile Officer and the Head Clerk.

14. Probate Division's Accounting Controls and Procedures

As of December 31, 1998, the Probate Division's cash balances were $1,787 and $16,241 in the Probate and Dissolution accounts, respectively. The Probate Division issues one-write receipt slips, records receipts on a monthly cash control ledger, maintains case fee sheets for open cases and maintains an open case ledger that documents the amounts received and disbursed and the open cash balance for each case. During our review of the open items listings we noted the following concerns:

A. Monthly listings of open items are not prepared for the Dissolution account, instead the open case ledger is maintained and cases are lined out when disbursed. As of December 31, 1998, the Probate and Dissolution cash balances included unidentified monies totaling approximately $622 and $416, respectively. The difference between the reconciled cash balance and the open case ledger fluctuated each month. Fluctuations in the unidentified balance indicate a recording error occurred in the current month; however, the Probate Division did not properly investigate and correct these errors.

B. Case fee sheet totals and the open case ledger are not reconciled to the one-write on a monthly basis to ensure accuracy. Proper reconciliation between the one-write, the open case ledger, and the case fee sheets may assist in reconciling the cash balance to the open items listing.

Monthly listings of open items should be properly prepared and reconciled to cash balances for each account to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Probate Clerk should attempt to determine the reasons for the differences noted and if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Probate Division:

A. Prepare monthly open items listings for the Dissolution account, determine reasons for all unidentified cash balances and investigate fluctuations in the unidentified balance. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.

B. Reconcile case fee sheets to the open case ledger and the one-write on a monthly basis.

AUDITEE'S RESPONSE

The Probate Judge and Probate Clerk provided the following responses:

A. We plan to prepare a formal open items listing twice a year and will try to prepare them more often if possible.

B. We will implement this recommendation.

15. Prosecuting Attorney's Accounting Controls and Procedures

Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures. These conditions have not improved since 1994. The current Prosecuting Attorney, who took office in January 1999, has purchased a new software system to account for the bad check collection efforts; however, controls and procedures related to the collection of restitution and fees and the ultimate dispositions of monies received in trust have not been improved.

The Prosecuting Attorney's Office collected court-ordered restitution, bad check restitution, and bad check collection fees totaling at least $219,000 during the two years ended December 31, 1998.

Court-ordered restitution payments are deposited to the Prosecuting Attorney's Restitution Fund checking account and checks are issued for the distribution of this restitution. The majority of the bad check restitution is received in the form of money orders made payable directly to the victims and is not deposited, instead, these money orders are forwarded directly to the plaintiffs. Periodic payments are allowed for some bad check cases and these receipts are deposited into the Prosecuting Attorney's Bad Check Restitution Account. Bad

check collection fees are received in the form of money orders made payable to the Butler County Prosecuting Attorney and are transmitted directly to the County Treasurer for deposit in the Prosecuting Attorney's Bad Check Fund. Our review of the records and procedures related to the Prosecuting Attorney's bank accounts revealed the following concerns:

A. Accounting and bookkeeping duties are not adequately segregated. One individual, with the assistance of a part time clerk, is responsible for receiving, recording, depositing, and transmitting monies for both restitution accounts. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. At a minimum, there should be a documented review made by a supervisor.

B. The Prosecuting Attorney's procedure for issuing receipt slips does not provide adequate documentation of monies received by the office. During our review, the receipt slip book could not be located. In addition, the composition of receipts is not reconciled to the composition of deposits. Receipt slips are usually issued only when cash payments are received or when the person making payment requests a receipt.

   Prenumbered receipt slips should be issued for all money received and their numerical sequence accounted for to help ensure all monies are recorded and properly handled. To ensure all monies are being deposited intact, the method of payment should be recorded on receipt slips and cash, checks, and money orders received should be reconciled to the composition of monies deposited.

C. Checks and money orders received are not restrictively endorsed immediately upon receipt and are not kept in a secure location until the time of deposit or transmittal to the County Treasurer and/or a merchant. Endorsements are applied at the time deposits are prepared. To adequately safeguard receipts, all checks to be deposited in the Prosecuting Attorney's bank accounts or remitted to the County Treasurer should be restrictively endorsed immediately upon receipt and kept in a secure location until deposited or transmitted. In addition, all checks and money orders made payable to merchants should be promptly forwarded to the merchant.

D. Bad check and court-ordered restitution payments and fees are not deposited in the Prosecuting Attorney's bank accounts or transmitted to the County Treasurer on a timely basis. Deposits/transmittals are made approximately once a week regardless of when received or the amounts on hand. In addition, a transmittal listing or other documentation of items turned over to the County Treasurer is not maintained.

   To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited or transmitted to the County Treasurer daily or when accumulated receipts exceed $100. In addition, a transmittal listing of items

remitted to the County Treasurer should be prepared and a copy should be retained by the Prosecuting Attorney.

E. Court-ordered restitution and bad check collections received and disbursed are not receipted or recorded in a cash control. The Prosecuting Attorney does not maintain an accurate record of deposits and cash balances in the check registers of the restitution bank accounts. We noted that the clerk periodically adjusts the balance in the check register to the bank balance less checks issued in the current month which remain outstanding. As a result, adequate monthly bank reconciliations cannot be performed to ensure that the bank balances reconcile to monies held in trust.

The Prosecuting Attorney's Office should prepare an accurate cash control ledger or other record of all receipts and disbursements and periodic cash balances. A cash control ledger is necessary to provide summary financial information, more readily account for numerical sequence of receipt slips and checks issued, and facilitate reconciliation with bank account balances. Because the Prosecuting Attorney does not maintain a cash control ledger and because some monies are remitted directly to the plaintiff or County Treasurer, the Prosecuting Attorney could not determine the amount of restitution revenues received by the Prosecuting Attorney's Office and is not able to determine if the monies received were properly handled and remitted to the appropriate parties.

F. An adequate system to account for all bad checks received as well as the subsequent disposition of these bad checks has not been established. No record is maintained by the Prosecuting Attorney to account for all bad checks turned over to his office for collection. Currently, Butler County merchants prepare an unnumbered complaint form which is submitted with the bad check.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned complaint number, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

G. Monthly listings of open items (liabilities) are not prepared and, consequently, open items are not reconciled with cash balances. As a result, the Prosecuting Attorney's reconciled bank balances totaling $3,101 in the Prosecuting Attorney Restitution Fund and $13,838 in the Prosecuting Attorney Bad Check Restitution Account at December 31, 1998 were unidentified. The unidentified cash balance has increased significantly since December 31, 1996. The unidentified balances of the two accounts were $2,373 and $7,453, respectively at December 31, 1996.

Monthly listings of open items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of differences.

H. The Prosecuting Attorney has not established a formal policy specifying when the court should be notified of unpaid cases. In addition, specific procedures have not been established to ensure follow up collection efforts are adequate. During our review of court-ordered restitution and bad check restitution case files, we noted that collection procedures and efforts are not always made timely and that there is no clear policy of follow-up collection efforts to be taken or timing of the efforts.

   The Prosecuting Attorney should establish written procedures for collecting delinquent unpaid restitution and fees. Such procedures should consist of generating periodic reports of cases with balances due and follow up on those for which payments are not being made. In addition, information regarding cases with delinquent payments and significant balances due should be regularly provided to the Prosecuting Attorney for review and assessment of follow-up collection efforts or other court action which may be necessary.

Conditions similar to A-G. were noted in our two prior reports.

WE AGAIN RECOMMEND the Prosecuting Attorney:

A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.

B. Issue prenumbered receipt slips for all monies received, account for the numerical sequence of receipt slips, reconcile cash, checks, and money orders received to the composition of bank deposits and ensure all records are retained in accordance with state law.

C. Restrictively endorse checks and money orders made payable to the Prosecuting Attorney immediately upon receipt and forward checks and money orders made payable to merchants promptly. In addition, receipts should be kept in a secure location until deposited or transmitted.

D. Deposit or transmit restitution and bad check fees daily or when accumulated receipts exceed $100 and retain a listing documenting the monies that were transmitted or deposited.

E. Record all receipts, disbursements, and cash balances on a cash control ledger and reconcile monthly bank balances to monies held in trust.

F. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form and a log to account for the numerical sequence and ultimate disposition of each bad check.

G. Prepare a monthly listing of open items and reconcile it to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.

H. Maintain a complete and accurate listing of delinquent unpaid court ordered restitution and bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such delinquent amounts.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. The Administrative Assistant now receipts, records, and disburses criminal court-ordered restitution monies. However, the bank reconciliation is performed by an independent person. A part time clerk assists in the bad check receiving duties and also prepares the monthly bank reconciliation. Due to limitations in staffing and the volume of work handled by the bad check clerks, it does not appear feasible at this time to perform further segregation of bad check and court-ordered bad check duties. I will consider requiring an independent review of the bad check bank reconciliations.

B. Prenumbered one-write receipt slips are now issued for criminal court-ordered restitution receipts. Due to the volume of transactions handled and time constraints involved, it does not seem feasible at this time to issue receipt slips for bad check restitution receipts. We have obtained a better computer system and have improved record keeping for bad check and court-ordered bad check restitution.

C. Criminal court-ordered restitution payments are now endorsed daily. Court-ordered bad check restitution payments are deposited two or three times a week and are endorsed at the time the deposit is prepared. Payments for bad check fees are endorsed with a county stamp as the mail is opened. Receipts are maintained in the bad-check clerk's office which is locked when not attended.

D. Criminal court-ordered restitution payments are now deposited daily. Bad check restitution and bad check fees are remitted to the vendors and the County Treasurer at least two times per week. A transmittal listing of bad check fees is prepared and a copy is provided to the County Treasurer.

E. A cash control is now maintained for criminal court-ordered restitution. Monthly balances are determined and reconciled with the bank. Beginning August 1999, a ledger of open items is maintained for court-ordered bad check restitution. We plan to use this ledger to reconcile to the bank.

F. Bad checks received from vendors are entered in the new computer system. The system assigns a case number for each bad check and has the capability to provide reports to account for all bad checks received.

G. Monthly open items listings are prepared for the criminal court-ordered restitution and the remaining unidentified balances will be disbursed in accordance with state law. We are working on preparing an accurate open items listing for bad check restitution.

H. A written policy has been established for criminal court-ordered restitution. Bad check cases are reviewed for necessary action once a month.

16. Sheriff's Accounting Controls and Procedures

The Sheriff's department is responsible for collecting incarceration costs billed to other political subdivisions, civil and criminal process fees, garnishment payments and fees, gun permit fees and cash bonds. Incarceration reimbursements, civil, criminal, garnishment, and gun permit fees are deposited to the Sheriff's fee account and remitted to the County Treasurer monthly. Garnishment payments are deposited to the fee account and are issued to the garnishor upon receipt. Cash bonds are deposited to the bond checking account and are remitted to the appropriate court upon receipt.

A. The duties of receipting, recording, disbursing, and reconciling the fee account and bond account financial records are not adequately segregated. One employee receipts some monies that are deposited to the fee account, disburses some monies from the fee account, and performs the monthly bank reconciliation for the fee account. The same employee prepares deposits, disbursements, and bank reconciliations for the bond account. In addition, the numerical sequence of bond receipt slips is not accounted for or reconciled to deposits by an independent person.

   To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving, recording, disbursing, and reconciling cash. If the duties cannot be adequately segregated, at a minimum, there should be a supervisory review of reconciliations between receipts and deposits and an independent review of bank reconciliations.

B. Our review of cash receipting and depositing procedures revealed the following concerns:

1. Receipt slips are not always issued for bond monies received. In November and December 1998 we noted two different bonds totaling $500 which were deposited but not receipted. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.

2. Checks and money orders received and deposited in the fee account for civil and criminal fees are not endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

C. Monthly listings of open items (liabilities) are not prepared for the fee account. Consequently, liabilities are not reconciled with cash balances. Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities.

D. The Sheriff has not established a formal policy for follow up collection efforts for unpaid incarceration costs billed to other political subdivisions. A corrections officer tracks and bills incarceration costs incurred by other political subdivisions. Payments from the political subdivisions are received and deposited by the Sheriff's civil/criminal clerk. A copy of the billing is not provided to the civil/criminal clerk so that additional billings or follow up can be performed for unpaid billings. However, the civil/criminal clerk makes a copy of the check for the corrections officer. These checks are supposed to be matched with the billing letter by the corrections officer and the billing letter is to be removed from a pending file and placed in a paid file. However, our review of the corrections officer's billing file revealed that five billing letters in the unpaid billing folder totaling over $10,800 had been paid but not removed from the folder.

To adequately account for all incarceration billings due and to maximize county revenues, adequate summary records of amounts due should be maintained. In addition, the Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of generating periodic reports of billings with balances due and follow up on those for which payments have not been received.

E. Gun permit fees are deposited to the fee account daily and remitted to the County Treasurer on a monthly basis; however, the monies received are not included on the Sheriff's monthly report of fees which is filed with the County Commission. Section 50.370, RSMo 1994, requires that an itemized and accurate list of fees collected be filed by county officials with the County Commission monthly.

F. The duties related to seized property are not adequately segregated. One deputy is responsible for both the custody and the record-keeping functions related to seized property. Periodic independent inventories of seized property on hand and the evidence log book are not performed. Properly segregating duties decreases the risk of loss, misuse, or theft of seized property.

G. Due to concerns noted on the inmate and commissary accounts, a special review is being performed of these areas.

Conditions similar to A., C., E., and F., were noted in our prior report.

WE RECOMMEND the Sheriff:

A. Segregate the duties of receipting, recording, disbursing, and reconciling cash. There should be a supervisory review of reconciliations between receipts and deposits and bank reconciliations should be reviewed and signed by the Sheriff or another designated individual independent of cash duties.

B.1. Issue prenumbered receipt slips for bond monies immediately upon receipt and account for their numerical sequence.

2. Restrictively endorse checks and money orders immediately upon receipt.

C. Prepare a monthly listing of open items and reconcile it to the fee account cash balance.

D. Maintain a complete and accurate listing of delinquent incarceration billings. In addition, written procedures should be established and implemented for pursuing the collections of such delinquent amounts.

E. Ensure all fees collected are reported to the County Commission on a monthly basis in accordance with state law.

F. Segregate the duties of custody and record-keeping related to seized property or provide for periodic independent inventories of seized property and the evidence log book.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A. I now review the monthly bank reconciliations. Receipt slip numbers are recorded on the deposit slips and are accounted for as deposits are prepared.

B&E. We have implemented these recommendations.

C. We now prepare monthly listings of open items and are working on reconciliations to the cash balance.

D. I will establish procedures to pursue collection of incarceration billings.

F. I will ensure quarterly inventory spot checks are performed.

This report is intended for the information of the management of Butler County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

BUTLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Butler County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. (Finding numbers 10.B. and 10.D. are omitted since the related follow-up appears in an earlier section of this report). The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices

   A. Warrants were issued in excess of approved budgeted expenditures.

   B. The County Commission did not have effective controls over purchasing procedures and did not effectively monitor county budgets and their operations. As a result, the Sheriff's department had expended approximately 87 percent of the 1997 budget as of mid August.

   C. Formal budgets were not prepared and filed with the State Auditor's Office for a number of county funds. Financial information was not obtained for several funds held by various county officials.

   D. Budgets prepared by the County Clerk and approved by the County Commission were not accurate.

   E. The County Clerk did not maintain a listing of outstanding warrants.

   Recommendation:

   The County Commission:

   A. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

   B. Work with the Sheriff to ensure expenditures do not exceed budget. The County Commission should consider implementing a purchasing system so that each budget and its related expenditures can be closely monitored.

   C. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.

D. Ensure budget documents are accurate and complete. To detect errors and inaccuracies in budget data, the County Clerk should perform reconciliations of revenues, expenditures, and cash balance with the County Treasurer.

E. Require the County Clerk to prepare an outstanding warrant listing at December 31 of each year and reconcile the list to warrants issued and warrants paid.

Status:

A., B., C., D. Not implemented. See MAR No. 1.

E. Partially implemented. The County Clerk prepared listings of outstanding warrants for some funds as of December 31, 1997. As of March 1998, the county no longer uses a warrant system and as a result, listings of outstanding warrants are no longer necessary.

2. Published Financial Statements

The financial statements published by the County Clerk were not accurate and did not contain all necessary information.

Recommendation:

The County Commission ensure the county's published financial statements are accurate and complete.

Status:

Not implemented. See MAR No. 1.

3. County Banking Procedures

The County Treasurer maintained numerous bank accounts.

Recommendation:

The County Treasurer reduce the number of bank accounts maintained.

Status:

Not implemented. See MAR No. 12.

4. Property Tax Controls

A. Court orders were not prepared and approved for all tax additions and abatements. The County Commission did not review or approve court orders and no independent review was performed of changes made by the County Collector to the printed tax books.

B. The County Clerk did not maintain an account book with the County Collector.

C. The County Clerk did not prepare the current or back tax book and did not perform any procedures to verify the accuracy of the printed tax books. As a result, a school levy was incorrectly extended in 1995.

Recommendation:

The County Clerk:

A. Prepare prenumbered addition and abatement court orders from information received directly from the Assessor's Office and periodically reconcile additions and abatements to changes made to the property tax books. In addition, the County Commission should review and approve all additions and abatements on a more timely basis.

B. Establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements and to verify the accuracy of the aggregate abstract reports.

C. Verify the totals of the current and back tax books for accuracy and document the procedures performed. The County Clerk should also work with the collector to correct the erroneous collection for the school district.

Status:

A.-C. Not implemented. See MAR No. 2.

5. County Officials' Compensation

Adequate documentation was not retained to substantiate the reasons or calculations for increases in some county officials' salaries. Salary commission minutes did not clearly indicate the actual amounts to be paid.

Recommendation:

The County Commission ensure future salary commission minutes clearly document the amounts to be paid to each official, how the amounts were calculated, and when increases in compensation will take effect for each official.

Status:

Partially implemented. The 1997 minutes clearly indicated the salary amounts and effective dates of salaries voted on at that meeting. However, the county did not obtain a written Prosecuting Attorney's opinion on the legality of certain issues discussed and included in the salary calculations. Although not repeated in our current report, our recommendation remains as stated above.

6. County Commission Minutes

The County Clerk did not prepare adequate records of the County Commission meetings.
Recommendation:

The County Commission ensure a complete record of meetings is prepared and approved on a timely basis.

Status:

Not implemented. See MAR No. 4.

7. County Expenditures and Bidding

A. Adequate supporting documentation was not maintained for several expenditures.

B. Bidding was not performed or documentation of bidding was not maintained for various items. In addition, a construction change order exceeding $150,000 was issued for work that was not included in the scope of the original project and the County Commission did not always competitively negotiate service contracts for professional services. Finally, the commission minutes did not always document the basis and justification for awarding bids or purchasing items as sole source.

C. The County Commission approved some expenditures without requiring approval from the elected official and invoices were not always canceled when paid.

D. The County did not issue Forms 1099-Miscellaneous.

Recommendation:

The County Commission:

A. Maintain vendor invoices or other supporting documentation for all expenditures.

B. Solicit bids for all purchases in accordance with state law and competitively negotiate service contracts for professional services. Documentation of bids solicited and justification of bid awards should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances. In addition, construction change orders should be approved only for work within the original scope of the project.

C. Require documented approval for purchase by the appropriate elected official and acknowledgment of receipt of goods and/or services prior to payment and ensure paid invoices are canceled when paid.

D. Ensure payments totaling greater than $600 to nonemployees and unincorporated businesses are reported to the Internal Revenue Service.

Status:

A. Partially implemented. While vendor invoices were generally maintained, the county paid $30,000 to the Poplar Bluff Chamber of Commerce without obtaining a detailed contract or other documentation sufficient to determine if the amount paid was reasonable compared to the services rendered. See MAR No. 7.

B. Partially implemented. It appears that the County Commission generally bids items over $4,500 in accordance with state law. However, the County Commission did not ensure that sufficient documentation of the justification of bid awards and sole-source purchases was maintained in all applicable circumstances. In addition, the County Commission did not competitively negotiate service contracts for professional services. See finding number 98-3.

C. Partially implemented. Invoices now appear to be canceled when paid; however, we noted a few instances when documented approval by the elected official and an indication of the receipt of goods and services was not obtained. Although not repeated in our current report, our recommendation remains as stated above.

D. Implemented.

8. General Fixed Assets

A. The county did not have formal procedures for disposing of county-owned property.

B. Property records were not adequately maintained and beginning balances were not reconciled with ending balances.

C. Fixed assets listings were not adjusted after year end inventories were performed.

Recommendation:

The County Clerk:

A. Document the County Commission's approval of all property dispositions and remove all disposed assets from the inventory totals in a timely basis.

B. Maintain fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year end balances and reconcile fixed asset purchases per the expenditure records to additions per the inventory records.

C. Review and verify physical inventories of county property and use the results to adjust the fixed asset records.

Status:

A.-C. Not implemented. See MAR No. 6.

9. Personnel Procedures

A. The Sheriff's son-in-law was appointed as a reserve deputy.

B. County road and bridge employees were allowed to commute in county-owned vehicles and detailed logs documenting vehicle usage were not maintained.

C. Supporting documentation was not submitted for uniform expenses and the allowances were not reported on the Sheriff's and deputies' W-2 forms.

D. Leave balances were not maintained by the County Clerk.

Recommendation:

The County Commission:

A. Work with the county officials to ensure all future appointments are appropriate.

B. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.

C. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.

D. Require the County Clerk to maintain centralized leave records.

Status:

A. Implemented. A new sheriff took office in 1997.

B.-D. Not implemented. See MAR No. 5.

10. Hentz School

A. Supporting documentation was not maintained for expenditures made during the period January 1, 1995 through September 30, 1996.

C. Supporting documentation was not maintained for reimbursements to the judge for purchases he made on behalf of the school using personal funds. A used video camera was purchased by the school from the judge without following proper statutory procedures regarding public notice and without obtaining documentation of the fair market value of the camera.

E. Formal bank reconciliations were not always performed.

F. The Hentz School bank account and its transactions were maintained outside the county treasury and budgets were not prepared and submitted to the County Commission.

G. The Hentz School did not establish an adequate fixed asset listing.

Recommendation:

The County Commission work with the Associate Circuit Judge to ensure:

A. Adequate supporting documentation is maintained to support all grant expenditures. The County Commission and the Judge should work with the DYS to resolve the federal questioned costs presented on Schedule 2 and the remaining grant funding provided by the state.

C. The appearance of impropriety between related parties is avoided and all transactions are conducted in accordance with state law, adequately documented, and the value of items is determined prior to purchase so the public has assurance that no official or agent profited improperly.

E. Formal monthly bank reconciliations are prepared.

F. Hentz School grant monies and future grant proceeds are transferred to the County Treasurer for credit into a separate fund. Funds should be budgeted in accordance with state law and expenditures made based on the grant administrator's approval through the county's normal expenditures system.

G. Prenumbered inventory tags that label each item as county property are attached to all property and equipment purchased with grant funds. Require general fixed asset records be maintained to include information as to the type of each item, an identifiable number, the serial number or model number when available, the date purchased, and original cost or estimated value if the original cost is not known, physical location, and date and method of disposition.

Status:

A. Implemented. The Juvenile Office maintains records for the Hentz School program and the former Judge and the Hentz School have worked with the Division of Youth Services (DYS) to determine which grant expenditures are allowable. It was determined that over $30,000 paid to the Hentz School by the DYS was unallowable, and the school has reimbursed the state for those costs that were disallowed.

C. Mr. Clark is no longer the Associate Circuit Judge and does not handle the grant monies. The grant funds are now held by the County Treasurer and grant expenditures are approved by the County Commission and are made through the county's normal disbursement procedures.

E. Implemented.

F. Implemented. Although budgets were not prepared for calendar year 1997 or the period covering January 1998 through May 1998, a budget was prepared and submitted to the county for the period covering June 1998 through December 1998. The budget was submitted at the same time the remaining grant funding was remitted to the County Treasurer's custody. Expenditures are now processed by the County Clerk through the county's normal procedures.

G. Partially implemented. Prenumbered inventory tags were purchased and placed on fixed assets that were purchased with grant funds. A listing of all inventory that was tagged was prepared; however the listing did not include the date of purchase, the original cost, and the current location of the items. Although not repeated in our current report, our recommendation remains as stated above.

11. Sheriff's Commissary

A1. Monies received from (or for) inmates were held in cash and were used to cash personal checks from employees and pay office expenses until the Sheriff began depositing inmate funds in the commissary revenue account. In addition, the inmate account ledger was not reconciled to the cash balance on hand.

2. The inmate account was not reconciled to the inmate account ledger.

3. Inmates were allowed to carry negative balances and bank charges incurred by the inmate account were not reimbursed from county funds.

B1. Commissary inventory records were inadequate to account for inventory transactions and balances.

2. Periodic physical inventory counts were not performed.

3. Inventory prices were not marked up to ensure adequate profit was received.

Recommendation:

The Sheriff:

A1. Deposit monies held in trust for prisoners to the inmate trust account intact daily or when accumulated receipts exceed $100. In addition, inmate funds should be used only for the inmates' benefit at the inmates' directions.

2. Reconcile the inmate account ledger to the inmate account at least monthly and investigate and resolve all errors and discrepancies in a timely manner.

3. Discontinue the practice of allowing inmates' accounts to carry negative balances and seek reimbursement from the commissary sales revenue account for all bank charges incurred on the inmate monies bank account.

B1. Maintain perpetual inventory records and adequate supporting documentation to account for commissary merchandise including balances for each item, purchases, sales, credits, and other uses of inventory.

2. Ensure a periodic physical count of inventory is performed at least monthly by an employee independent of daily commissary operations. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.

3. Establish a formal policy to regulate the mark up of commissary inventory. In addition, the Sheriff's department should formally monitor the commissary revenues and cost of goods sold to ensure an adequate profit is received from the operations of the commissary.

Status:

See MAR No. 16.

12. Federal Financial Assistance

A. Reimbursement reports filed with the grantor agencies were inaccurate for the COPS Fast and the DARE grants.

B. Binoculars obtained from the Department of Defense - federal surplus property program could not be located and were not properly listed on the property records.

Recommendation:

The County Commission:

A. Work with the appropriate officials to ensure grant reports/reimbursement requests required to be filed with the grantor agency are made in accordance with grant guidelines and that the reports present accurate information regarding program expenditures, local match provided, and other required data.

B. Work with the Department of Public Safety to resolve the questioned costs presented on Schedule 2. Locate all remaining binoculars and include them on the county's fixed asset records. In addition, ensure any future assets are properly included on the county's asset records and the disposition is properly documented.

Status:

A. Implemented.

B. Partially implemented. The Sheriff's department has prepared a complete listing of inventory that can be located; however, some inventory items (including several of the binoculars) could not be located when the new administration assumed its duties in December 1997. In addition, the Sheriff's department has not contacted the Department of Public Safety to resolve the questioned costs presented in Schedule 2 of our prior report. Although not repeated in our current report, our recommendation remains as stated above.

13. County Collector's Accounting Controls and Procedures

A. The method of payment was not indicated on receipt slips and prenumbered receipt slips were not issued for duplicate tax receipts.

B. The Collector did not deposit receipts intact. Daily cash receipts were used for change funds, for refunds, and to redeem non-sufficient fund checks from the bank.

C. The Collector did not distribute interest properly or on a timely basis.

Recommendation:

The County Collector:

A. Issue prenumbered receipt slips for duplicate tax statements and ensure the method of payment is indicated on all property tax receipts. The cash, checks, and money orders received per the receipts should be reconciled to the composition of bank deposits.

B. Deposit all monies received intact daily and ensure deposit slips indicate which receipts are included in the deposit. If a change fund is needed, it should be maintained at an established amount and should not be obtained from tax revenues. In addition, the practice of cashing checks should be discontinued.

C. Allocate interest on a timely basis in accordance with state statutes and Attorney General's opinions.

Status:

A. Not implemented. See MAR No. 11.

B. Partially implemented. As of March 1, 1999 the new collector took office and began depositing receipts daily and documenting the receipt numbers being deposited for the day. She has also obtained a change fund from the County Commission which is maintained at its established amount. However, the new collector has not discontinued the practice of cashing personal checks for county employees. See MAR No. 11.

C. Implemented.

14. County Clerk's Accounting Controls and Procedures

A. Receipt slips were not issued for all receipts, the method of payment was not indicated on the receipt slips and receipts were not transmitted intact.

B. Checks and money orders were not restrictively endorsed immediately upon receipt.

Recommendation:

The County Clerk:

A. Issue receipt slips for all monies received and ensure the method of payment is indicated on all receipts. Transmit all monies received intact and ensure the transmittals indicate which receipts are included in the transmittal. The cash, checks, and money orders received per the receipts should be reconciled to the composition

of transmittals to the Treasurer. In addition, receipts should not be used for County Clerk expenditures, a petty cash fund should be established from county revenues if needed, and the County Clerk should discontinue the practice of cashing personal checks.

B. Restrictively endorse all checks and money orders immediately upon receipt.

Status:

A.&B. Not implemented. See MAR No. 10.

15. Sheriff's Accounting Controls and Procedures

A1. Duties were not properly segregated.

2. A cash control ledger or monthly summary report adequate to account for all monies received and their disposition was not maintained.

3. Open items listings were not prepared.

B1. The method of payment was not indicated on receipt slips for gun permits and bonds.

2. Receipts were not always deposited intact.

C. Traffic tickets were not adequately accounted for.

D1. Evidence room duties were not adequately segregated or supervised.

2. The evidence log book was not complete.

3. Court orders were not obtained for the sale of some seized property.

4. Monies received from Sheriff sales were not remitted to the schools.

Recommendation:

The Sheriff:

A1. Implement procedures to separate cash custody and recording functions and ensure there is a supervisory review of the work performed.

2. Prepare a monthly report listing all monies received and the ultimate disposition of those monies, and reconcile this report to the cash control records.

3. Prepare a monthly listing of open items and reconcile it to the cash balances. An attempt should be made to investigate the unidentified monies and any monies remaining should be disbursed in accordance with state law.

B1. Ensure the method of payment is indicated on all receipts and the composition of receipts is reconciled to the composition of bank deposits.

2. Deposit all monies received intact daily and ensure deposit slips indicate which receipts are included in the deposit. If a change fund is needed, it should be maintained at an established amount and should be obtained from county revenue.

C. Maintain an adequate listing of all issued, assigned, and unassigned traffic tickets.

D1. Segregate duties in the evidence room and review work completed.

2. Maintain an accurate and complete inventory listing of all evidence, and perform periodical inventory counts and compare them to the listing.

3. Obtain proper court orders for the disposition of all seized property.

4. Work with the County Commission to ensure the $7,737 deposited into the Inmate Telephone Income fund is remitted to the schools.

Status:

On November 7, 1997, the prior Sheriff was removed from office. A special election was held and the new Sheriff assumed office on December 16, 1997.

A1. Partially implemented. The new administration has provided some segregation of duties; however, the duties of receipting, recording, disbursing, and reconciling the fee account and bond account financial records are not adequately segregated. See MAR No. 16.

A.2.,A3.
& D1. Not implemented. See MAR No. 16.

B.1,B.2.,
C.,D.2,
& D.4.Implemented.

D3. The Sheriff did not conduct sales of seized property during the audit period.

16. Prosecuting Attorney's Accounting Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated.

B. Prenumbered receipt slips were not issued for all receipts.

C. The method of payment was not indicated on the receipt slips and duplicate copies of the deposit slips were not retained.

D. Checks and money orders were not restrictively endorsed immediately upon receipt and were not kept in a secure location until the time of deposit.

E. Restitution payments and fees were not deposited or transmitted on a timely basis.

F. Court-ordered restitution payments and bad check collections were not receipted or recorded in a cash control or on the check registers. As a result, monthly bank reconciliations were not performed.

G. An adequate system to account for bad checks received and their ultimate disposition had not been established.

H. Monthly listings of open items were not prepared.

I. The County Commission did not review supporting documentation or warrants issued by the Prosecuting Attorney from the Prosecuting Attorney's Delinquent Tax and Prosecuting Attorney's Bad Check funds. In addition, the warrants issued for these funds were not prenumbered.

Recommendation:

The Prosecuting Attorney:

A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.

B. Issue prenumbered receipt slips for all monies received.

C. Record the method of payment for all monies received, retain duplicate copies of the deposit slips, and reconcile cash, checks, and money orders received to the composition of bank deposits.

D. Restrictively endorse checks and money orders immediately upon receipt and forward checks and money orders made payable to merchants promptly. In addition, receipts should be kept in a secure location until deposited or transmitted.

E. Deposit or transmit restitution and bad check fees daily or when accumulated receipts exceed $100.

F. Record all receipts, disbursements, and cash balances on a cash control ledger and reconcile monthly bank balances to monies held in trust.

G. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form and a log to account for the numerical sequence and ultimate disposition of each bad check.

H. Prepare a monthly listing of open items and reconcile it to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.

I. Issue prenumbered warrants on the Prosecuting Attorney's Delinquent Tax Fund and the Prosecuting Attorney's Bad Check Fund, account for the numerical sequence of those warrants and reconcile warrants issued to warrants paid by the County Treasurer. In addition, copies of paid warrants and their supporting documentation should be submitted to the County Commission for its review.

Status:

A. Partially implemented. Although the employment of a part time staff person improves the segregation of duties, we noted certain concerns regarding segregation of duties and the accuracy of bank reconciliations. See MAR No. 15.

B.-H. Not implemented. See MAR No. 15.

I. As of March 1998, Butler County discontinued the warrant system for county disbursements. At that time the County Clerk obtained checks for the Prosecuting Attorney's Delinquent Tax Fund and the Prosecuting Attorney's Bad Check Fund. Disbursements for these funds are now issued by the County Clerk and approved by the County Commission based upon invoices submitted by the Prosecuting Attorney.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BUTLER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1849, the county of Butler was named after William O. Butler, a Mexican War General. Butler County is a county-organized, third-class county and is part of the Thirty-Sixth Judicial Circuit. The county seat is Poplar Bluff.

Butler County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Butler County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 440,392	8	408,819	7
Sales taxes	1,983,705	34	2,025,958	35
Federal and state aid	1,874,175	32	1,833,827	31
Fees, interest, and other	1,529,484	26	1,588,363	27
Total	$ 5,827,756	100	5,856,967	100

The following chart shows how Butler County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 2,150,382	37	1,839,179	34
Public safety	1,941,145	34	1,862,392	35
Highways and roads	1,683,222	29	1,640,800	31
Total	$ 5,774,749	100	5,342,371	100

::

During 1998 and 1997, the Law Enforcement Complex Fund had receipts totaling $1,123,011 and $1,078,192, respectively, and expended or transferred $1,063,738 and $1,454,767, respectively, for public safety.

During 1998 and 1997, the Road and Bridge Capital Improvement, Eastern and Western District Funds had receipts totaling $1,277,481 and $1,172,021, respectively, and expended $1,194,997 and $977,083, respectively, for highways and roads.

The county maintains approximately 325 county bridges and 956 miles of county roads.

The county's population was 33,529 in 1970 and 38,765 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 205.5	196.0	131.7	49.3	30.9
Personal property	81.9	75.6	20.8	17.7	9.3
Railroad and utilities	22.6	22.7	21.3	17.9	11.9
Total	$ 310.0	294.3	173.8	84.9	52.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Butler County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .11	.11
Special Road and Bridge Fund	.04	.04
Health Center Fund	.10	.10
Developmentally Disabled Fund	.05	.10
Senior Citizens Service Fund	.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

::

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 90,797	86,606
General Revenue Fund	343,724	327,606
Special Road and Bridge Fund	122,818	116,642
Assessment Fund	112,579	108,594
Health Center Fund	300,274	287,990

Developmentally Disabled Fund		164,454	287,990
School districts		8,707,191	8,294,133
Community College		725,858	696,333
Ambulance district		56,824	57,294
Fire districts		389,933	375,698
Senior Citizen Board		148,547	142,424
Drainage District #12		2,680	2,731
Other Drainage Districts		318,011	322,937
Tax Sale Surplus Fund		14,781	8,970
Cities		63,639	63,175
County Clerk		1,004	1,073
County Employees' Retirement		78,221	85,647
Publication Fees		2,250	3,412
Commissions and fees:			
General Revenue Fund		193,089	185,031
County Collector		7,124	7,481
Total	$	11,843,798	11,461,767

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	90.3 %	90.8 %
Personal property	88.7	87.2
Railroad and utilities	100.0	100.0

Butler County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.0	None	50 %
Road and Bridge Capital Improvements		0.0	None	None
Butler County Corrections Center		0.0	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

::

Officeholder		1999	1998	1997
County-Paid Officials:				
Robert Manns, Presiding Commissioner	$		22,660	22,660
Gene Hart, Associate Commissioner			22,660	22,660
Robert L. Myers, Associate Commissioner			22,660	22,660
Debra Lundstrom, Recorder of Deeds			31,930	31,930
John Dunivan, County Clerk			34,505	34,505
Carl Miller, Prosecuting Attorney			40,170	40,170
William Heaton, Sheriff			41,200	1,717
Sam Gilmore, Sheriff				35,654
Betty DeCourley, County Treasurer			23,350	23,350
Larry Cotrell, County Coroner			8,239	8,239
Tom Cox, Public Administrator *			*	*

Paul Hogg, County Collector, year ended February 28,**	48,419	48,753	
Marion Tibbs, County Assessor, year ended August 31, ***		39,463	
Harold Tinsley, County Assessor , year ended August 31,***			38,262

* Includes fees received from probate cases. In his annual reports to the Secretary of State and the County Commission, the Public Administrator reported fees earned of $148,771 and $116,958 for the two years ended December 31, 1998 and 1997, respectively. The Public Administrator reported approximately $118,564 was expended for staff salaries, $39,030 was expended for administrative expenses, $25,423 was expended for travel expense, and $13,042 was expended for court costs and direct ward expenses from the fees received during the two years ended December 31, 1998.

** Includes commissions from drainage districts totaling $7,124 for the year ended February 28, 1999 and $7,481 for the year ended February 28, 1998.

*** Includes $675 in annual compensation received from the state.

State-Paid Officials:			
Wanda Ellsworth, Circuit Clerk	42,183	40,176	
John Clark, Associate Circuit Judge	77,888	81,792	
John Bloodworth, Associate Circuit Judge	4,221		
William Clarkson, Associate Circuit Judge	85,158	81,792	

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

::

Office	Number of Employees Paid by County	State
Circuit Clerk	0	6
Recorder of Deeds	4	0
County Clerk	5	0
Prosecuting Attorney *	17	0
Sheriff *	49	0
County Treasurer	1	0
County Coroner	1	0
County Collector	2	0
County Assessor **	7	0
Associate Division	0	4
Probate Division	0	3
Road and Bridge	39	0
Juvenile Center	16	0
Edgewood Home	2	0
Tracker Program Grant	4	0
Total	147	13

* Includes two part time employees.

** Includes one part time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Butler County's share of the Thirty-Sixth Judicial Circuit's expenses is 76 percent.

In 1994, the county began building a new law enforcement complex. The county entered into a nineteen year lease purchase agreement to pay for the building. At December 31, 1998 the county owed $5,530,000 in principal installments on the lease payments which carry interest rates from 5.4 percent to 6.5 percent and are imputed based on the lessor's implicit rate of return. In addition, the county will be responsible for making additional lease payments related to the underlying leasehold revenue bonds as well as other costs incurred by the lessor related to the administration of the lease and the bonds. As of February 1, 1999, the county executed a new lease purchase agreement. At February 1, 1999, the county owed $6,095,000 in principal installments on the lease payments which carry interest rates from 3.25 percent to 4.40 percent.

AUDIT REPORT

CARROLL COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-91
September 30, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Carroll, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Carroll County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< The Ex Officio County Collector did not maintain an account book and did not file annual settlements with the County Commission on a timely basis. In addition, the Ex Officio County Collector should ensure she reconciles all bank accounts to the accounting records on a monthly basis.

< The Senate Bill 40 Board needs to improve overall budgetary procedures, including not approving expenditures in excess of budgeted amounts. Also, the SB40 Board needs to better monitor collateral securities pledged by county banks and needs to ensure SB40 Board appointments do not create possible conflicts of interest.

Also included in the audit are recommendations for the County Commission and County Clerk related to the county tax books and related procedures. Additional recommendations were made to improve the records and procedures of the Circuit Clerk, Prosecuting Attorney, Public Administrator, and the Sheriff.

<u>Copies of the audit are available upon request</u>.

CARROLL COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Carroll County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Carroll County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Carroll County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Carroll County.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain matters regarding the year 2000 issue. Carroll County has included such disclosures in Note 4. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 4. Further, we do not provide assurance that the county is or will become year

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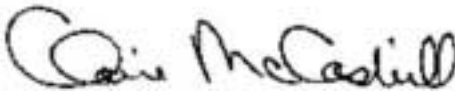
2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Carroll County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 13, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Carroll County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Carroll County, Missouri

We have audited the special-purpose financial statements of various funds of Carroll County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Carroll County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Carroll County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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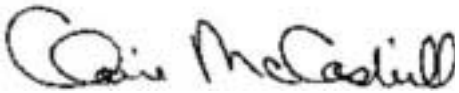
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Carroll County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	159,713	1,123,789	1,173,732	109,770
Special Road and Bridge		248,455	1,475,011	1,092,439	631,027
Assessment		5,546	147,337	134,583	18,300
Law Enforcement Training		13,835	6,784	7,469	13,150
Prosecuting Attorney Training		544	401	640	305
Health Center		94,479	244,953	264,537	74,895
Drainage III		110,637	31,026	39,811	101,852
Sheriff's Inmate		1,118	3,903	2,309	2,712
Special Sheriff's		5,470	10,880	13,174	3,176
Johnson Grass		9,487	436	2,793	7,130
Law Library		76	2,376	2,314	138
Recorder's Preservation		5,360	4,600	3,184	6,776
Prosecuting Attorney Bad Check		6,031	7,420	4,007	9,444
Prosecuting Attorney Delinquent Tax		1,545	126	1,000	671
Children's Trust		3,287	471	1,500	2,258
Senate Bill 40 Board		12,047	106,861	111,124	7,784
Associate Division Interest		1,561	461	886	1,136
Probate Division Interest		119	19	110	28
Circuit Clerk Interest		3,732	1,225	811	4,146
Federal Emergency Management Assistance		0	143,287	143,287	0
Courthouse Restoration		0	100	0	100
Total	$	683,042	3,311,466	2,999,710	994,798

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	102,469	1,191,532	1,134,288	159,713
Special Road and Bridge		370,873	1,863,310	1,985,728	248,455
Assessment		4,555	123,989	122,998	5,546
Law Enforcement Training		11,940	10,963	9,068	13,835
Prosecuting Attorney Training		20	1,073	549	544
Health Center		109,419	243,930	258,870	94,479
Drainage III		91,359	33,845	14,567	110,637
Sheriff's Inmate		1,628	2,620	3,130	1,118
Special Sheriff's		0	5,470	0	5,470
Johnson Grass		11,738	521	2,772	9,487
Law Library		487	1,694	2,105	76
Recorder's Preservation		3,721	4,319	2,680	5,360
Prosecuting Attorney Bad Check		1,843	6,530	2,342	6,031
Prosecuting Attorney Delinquent Tax		577	1,607	639	1,545
Children's Trust		2,822	465	0	3,287
Senate Bill 40 Board		5,611	105,430	98,994	12,047
Associate Division Interest		1,303	303	45	1,561
Probate Division Interest		100	19	0	119
Circuit Clerk Interest		3,052	870	190	3,732
Community Development Block Grant		1,907	3,000	4,907	0
Federal Emergency Management Assistance		242	44,058	44,300	0
Total	$	725,666	3,645,548	3,688,172	683,042

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 293,900	264,163	-29,737	247,400	248,515	1,115
Sales and use taxes	245,000	250,263	5,263	255,000	250,082	-4,918
Intergovernmental	119,415	122,346	2,931	120,875	127,104	6,229
Charges for services	409,475	423,484	14,009	414,680	495,669	80,989
Interest	10,000	10,811	811	7,000	10,224	3,224
Other	28,722	28,378	-344	23,725	22,015	-1,710
Transfers in	20,500	24,344	3,844	22,509	37,923	15,414
Total Receipts	1,127,012	1,123,789	-3,223	1,091,189	1,191,532	100,343
DISBURSEMENTS						
County Commission	76,876	70,016	6,860	85,292	87,882	-2,590
County Clerk	86,385	81,485	4,900	90,112	86,955	3,157
Elections	75,243	66,674	8,569	54,998	51,526	3,472
Buildings and grounds	81,705	112,721	-31,016	82,670	65,023	17,647
Employee fringe benefits	141,500	125,783	15,717	111,120	126,881	-15,761
County Treasurer and Ex Officio						
County Collector	54,095	54,745	-650	55,500	55,971	-471
Circuit Clerk and Ex Officio						
Recorder of Deeds	29,308	28,910	398	27,527	28,671	-1,144
Associate Circuit and Probate Courts	9,125	7,509	1,616	8,255	6,963	1,292
Court administration	3,400	1,318	2,082	3,170	2,377	793
Public Administrator	25,455	26,589	-1,134	19,395	23,588	-4,193
Sheriff	283,068	269,188	13,880	288,034	263,976	24,058
Jail	156,779	142,389	14,390	88,095	118,779	-30,684
Prosecuting Attorney	75,474	70,028	5,446	76,518	67,419	9,099
Juvenile Officer	47,512	47,230	282	50,629	49,997	632
County Coroner	7,650	8,476	-826	7,715	6,478	1,237
Public health and welfare services	1,000	1,000	0	2,800	2,800	0
Other	54,235	49,671	4,564	49,911	48,964	947
Transfers out	10,000	10,000	0	12,839	40,038	-27,199
Emergency Fund	34,000	0	34,000	32,844	0	32,844
Total Disbursements	1,252,810	1,173,732	79,078	1,147,424	1,134,288	13,136
RECEIPTS OVER (UNDER) DISBURSEMENTS	-125,798	-49,943	75,855	-56,235	57,244	113,479
CASH, JANUARY 1	159,713	159,713	0	102,469	102,469	0
CASH, DECEMBER 31	$ 33,915	109,770	75,855	46,234	159,713	113,479

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 48,635	52,007	3,372	46,000	48,636	2,636
Intergovernmental	1,614,590	1,397,514	-217,076	1,856,117	1,784,401	-71,716
Interest	15,000	23,248	8,248	13,000	17,261	4,261
Other	41,490	2,242	-39,248	7,883	11,885	4,002
Transfers in	0	0	0	0	1,127	1,127
Total Receipts	1,719,715	1,475,011	-244,704	1,923,000	1,863,310	-59,690
DISBURSEMENTS						
Salaries	139,950	122,166	17,784	125,927	126,085	-158
Employee fringe benefits	43,226	34,690	8,536	35,980	39,761	-3,781
Supplies	13,564	14,277	-713	34,210	11,170	23,040
Insurance	8,400	9,445	-1,045	7,100	8,369	-1,269
Road and bridge materials	445,000	281,505	163,495	235,600	418,368	-182,768
Equipment repairs	11,500	27,977	-16,477	30,000	45,229	-15,229
Rentals	0	75	-75	23,000	0	23,000
Equipment purchases	101,400	90,266	11,134	42,030	36,511	5,519
Construction, repair, and maintenance	1,083,000	488,538	594,462	1,361,120	1,280,235	80,885
Other	0	3,500	-3,500	9,280	0	9,280
Transfers out	30,000	20,000	10,000	20,000	20,000	0
Total Disbursements	1,876,040	1,092,439	783,601	1,924,247	1,985,728	-61,481
RECEIPTS OVER (UNDER) DISBURSEMENTS	-156,325	382,572	538,897	-1,247	-122,418	-121,171
CASH, JANUARY 1	248,455	248,455	0	370,873	370,873	0
CASH, DECEMBER 31	$ 92,130	631,027	538,897	369,626	248,455	-121,171

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 118,136	132,683	14,547	106,759	108,390	1,631
Interest	800	1,436	636	800	768	-32
Other	1,400	3,218	1,818	1,600	1,992	392
Transfers in	10,000	10,000	0	12,839	12,839	0
Total Receipts	130,336	147,337	17,001	121,998	123,989	1,991
DISBURSEMENTS						
Assessor	135,385	134,583	802	126,553	122,998	3,555
Total Disbursements	135,385	134,583	802	126,553	122,998	3,555
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,049	12,754	17,803	-4,555	991	5,546
CASH, JANUARY 1	5,546	5,546	0	4,555	4,555	0
CASH, DECEMBER 31	$ 497	18,300	17,803	0	5,546	5,546

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	884	884	0	2,881	2,881
Charges for services	1,450	1,552	102	2,350	1,450	-900
Interest	0	335	335	0	295	295
Other	2,400	4,013	1,613	10,250	6,337	-3,913
Total Receipts	3,850	6,784	2,934	12,600	10,963	-1,637
DISBURSEMENTS						
Sheriff	12,750	7,134	5,616	12,050	8,773	3,277
Transfers out	0	335	-335	0	295	-295
Total Disbursements	12,750	7,469	5,281	12,050	9,068	2,982
RECEIPTS OVER (UNDER) DISBURSEMENTS	-8,900	-685	8,215	550	1,895	1,345
CASH, JANUARY 1	13,835	13,835	0	11,132	11,940	808
CASH, DECEMBER 31	$ 4,935	13,150	8,215	11,682	13,835	2,153

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,000	389	-611	1,000	569	-431
Interest	0	12	12	0	4	4
Transfers in	0	0	0	0	500	500
Total Receipts	1,000	401	-599	1,000	1,073	73
DISBURSEMENTS						
Prosecuting Attorney	1,000	628	372	1,000	545	455
Transfers out	0	12	-12	0	4	-4
Total Disbursements	1,000	640	360	1,000	549	451
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-239	-239	0	524	524
CASH, JANUARY 1	544	544	0	20	20	0
CASH, DECEMBER 31	$ 544	305	-239	20	544	524

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 104,000	104,337	337	100,800	98,118	-2,682
Intergovernmental	104,947	108,217	3,270	111,688	105,652	-6,036
Interest	6,000	5,933	-67	7,500	6,530	-970
Other	40,850	26,466	-14,384	44,414	33,630	-10,784
Total Receipts	255,797	244,953	-10,844	264,402	243,930	-20,472
DISBURSEMENTS						
Salaries	217,598	224,836	-7,238	203,511	201,099	2,412
Office expenditures	20,778	16,018	4,760	13,280	12,499	781
Equipment	5,570	3,054	2,516	1,776	1,615	161
Mileage and training	13,120	8,710	4,410	7,468	7,173	295
Other	48,110	11,919	36,191	38,367	36,484	1,883
Total Disbursements	305,176	264,537	40,639	264,402	258,870	5,532
RECEIPTS OVER (UNDER) DISBURSEMENTS	-49,379	-19,584	29,795	0	-14,940	-14,940
CASH, JANUARY 1	94,479	94,479	0	109,419	109,419	0
CASH, DECEMBER 31	$ 45,100	74,895	29,795	109,419	94,479	-14,940

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRAINAGE III FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 24,300	25,813	1,513	24,350	24,260	-90
Intergovernmental	0	0	0	0	2,132	2,132
Interest	3,500	5,213	1,713	3,800	4,554	754
Other	0	0	0	0	2,899	2,899
Total Receipts	27,800	31,026	3,226	28,150	33,845	5,695
DISBURSEMENTS						
Office expenditures	365	476	-111	130	233	-103
Equipment	0	0	0	200	0	200
Contract labor	0	38,161	-38,161	24,000	9,392	14,608
Other	40,300	1,174	39,126	3,000	4,534	-1,534
Transfers out	0	0	0	0	408	-408
Total Disbursements	40,665	39,811	854	27,330	14,567	12,763
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,865	-8,785	4,080	820	19,278	18,458
CASH, JANUARY 1	110,637	110,637	0	91,359	91,359	0
CASH, DECEMBER 31	$ 97,772	101,852	4,080	92,179	110,637	18,458

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S INMATE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,500	3,840	1,340	2,625	2,589	-36
Interest	0	45	45	14	31	17
Other	0	18	18	0	0	0
Total Receipts	2,500	3,903	1,403	2,639	2,620	-19
DISBURSEMENTS						
Sheriff	3,400	2,309	1,091	2,650	3,130	-480
Total Disbursements	3,400	2,309	1,091	2,650	3,130	-480
RECEIPTS OVER (UNDER) DISBURSEMENTS	-900	1,594	2,494	-11	-510	-499
CASH, JANUARY 1	1,159	1,118	-41	1,628	1,628	0
CASH, DECEMBER 31	$ 259	2,712	2,453	1,617	1,118	-499

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL SHERIFF'S FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 17,000	10,785	-6,215	3,600	5,446	1,846
Interest	0	95	95	0	24	24
Total Receipts	17,000	10,880	-6,120	3,600	5,470	1,870
DISBURSEMENTS						
Sheriff	19,200	9,674	9,526	3,600	0	3,600
Transfers out	0	3,500	-3,500	0	0	0
Total Disbursements	19,200	13,174	6,026	3,600	0	3,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,200	-2,294	-94	0	5,470	5,470
CASH, JANUARY 1	5,470	5,470	0	0	0	0
CASH, DECEMBER 31	$ 3,270	3,176	-94	0	5,470	5,470

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHNSON GRASS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 50	64	14	50	62	12
Interest	250	372	122	0	459	459
Total Receipts	300	436	136	50	521	471
DISBURSEMENTS						
Salaries	1,800	1,129	671	1,600	1,085	515
Office expenditures	350	0	350	200	0	200
Equipment	200	0	200	200	18	182
Mileage and training	1,850	1,192	658	1,015	1,249	-234
Other	30	0	30	630	0	630
Transfers out	0	472	-472	0	420	-420
Total Disbursements	4,230	2,793	1,437	3,645	2,772	873
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,930	-2,357	1,573	-3,595	-2,251	1,344
CASH, JANUARY 1	9,487	9,487	0	11,738	11,738	0
CASH, DECEMBER 31	$ 5,557	7,130	1,573	8,143	9,487	1,344

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,000	1,370	370	1,400	1,090	-310
Interest	0	6	6	0	4	4
Transfers in	1,000	1,000	0	600	600	0
Total Receipts	2,000	2,376	376	2,000	1,694	-306
DISBURSEMENTS						
Office expenditures	2,000	2,314	-314	2,420	2,105	315
Total Disbursements	2,000	2,314	-314	2,420	2,105	315
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	62	62	-420	-411	9
CASH, JANUARY 1	76	76	0	487	487	0
CASH, DECEMBER 31	$ 76	138	62	67	76	9

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S PRESERVATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,500	4,480	-20	4,400	4,208	-192
Interest	0	120	120	0	111	111
Total Receipts	4,500	4,600	100	4,400	4,319	-81
DISBURSEMENTS						
Ex Offico Recorder of Deeds	3,000	3,184	-184	7,020	2,680	4,340
Total Disbursements	3,000	3,184	-184	7,020	2,680	4,340
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	1,416	-84	-2,620	1,639	4,259
CASH, JANUARY 1	5,360	5,360	0	3,721	3,721	0
CASH, DECEMBER 31	$ 6,860	6,776	-84	1,101	5,360	4,259

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,000	7,240	2,240	4,000	6,442	2,442
Interest	0	180	180	0	88	88
Total Receipts	5,000	7,420	2,420	4,000	6,530	2,530
DISBURSEMENTS						
Prosecuting Attorney	10,000	3,902	6,098	1,000	1,449	-449
Transfers out	0	105	-105	2,209	893	1,316
Total Disbursements	10,000	4,007	5,993	3,209	2,342	867
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,000	3,413	8,413	791	4,188	3,397
CASH, JANUARY 1	6,031	6,031	0	1,843	1,843	0
CASH, DECEMBER 31	$ 1,031	9,444	8,413	2,634	6,031	3,397

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,500	0	-1,500	765	1,574	809
Interest	0	21	21	0	33	33
Transfers in	0	105	105	0	0	0
Total Receipts	1,500	126	-1,374	765	1,607	842
DISBURSEMENTS						
Prosecuting Attorney	700	0	700	700	639	61
Transfers out	1,000	1,000	0	0	0	0
Total Disbursements	1,700	1,000	700	700	639	61
RECEIPTS OVER (UNDER) DISBURSEMENTS	-200	-874	-674	65	968	903
CASH, JANUARY 1	1,545	1,545	0	577	577	0
CASH, DECEMBER 31	$ 1,345	671	-674	642	1,545	903

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 650	390	-260	500	395	-105
Interest	0	81	81	0	70	70
Total Receipts	650	471	-179	500	465	-35
DISBURSEMENTS						
Domestic violence shelter	1,500	1,500	0	0	0	0
Total Disbursements	1,500	1,500	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-850	-1,029	-179	500	465	-35
CASH, JANUARY 1	3,287	3,287	0	2,822	2,822	0
CASH, DECEMBER 31	$ 2,437	2,258	-179	3,322	3,287	-35

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 102,000	104,396	2,396	94,500	98,120	3,620
Intergovernmental	0	1,438	1,438	0	2,083	2,083
Interest	600	505	-95	0	520	520
Other	0	522	522	3,261	4,707	1,446
Total Receipts	102,600	106,861	4,261	97,761	105,430	7,669
DISBURSEMENTS						
Office expenditures	1,213	131	1,082	1,189	144	1,045
Client services	98,870	110,946	-12,076	99,420	98,850	570
Other	0	47	-47	0	0	0
Total Disbursements	100,083	111,124	-11,041	100,609	98,994	1,615
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,517	-4,263	-6,780	-2,848	6,436	9,284
CASH, JANUARY 1	12,047	12,047	0	5,611	5,611	0
CASH, DECEMBER 31	$ 14,564	7,784	-6,780	2,763	12,047	9,284

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE DIVISION INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 304	301	-3
Other	0	160	160
Total Receipts	304	461	157
DISBURSEMENTS			
Associate Division	0	886	-886
Total Disbursements	0	886	-886
RECEIPTS OVER (UNDER) DISBURSEMENTS	304	-425	-729
CASH, JANUARY 1	1,561	1,561	0
CASH, DECEMBER 31	$ 1,865	1,136	-729

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROBATE DIVISION INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 20	19	-1
Total Receipts	20	19	-1
DISBURSEMENTS			
Probate Division	0	110	-110
Total Disbursements	0	110	-110
RECEIPTS OVER (UNDER) DISBURSEMENTS	20	-91	-111
CASH, JANUARY 1	119	119	0
CASH, DECEMBER 31	$ 139	28	-111

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 500	1,135	635
Other	0	90	90
Total Receipts	500	1,225	725
DISBURSEMENTS			
Circuit Clerk	0	811	-811
Total Disbursements	0	811	-811
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	414	-86
CASH, JANUARY 1	3,687	3,732	45
CASH, DECEMBER 31	$ 4,187	4,146	-41

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Carroll County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Federal Emergency Management Assistance Fund for the years ended December 31, 1998 and 1997; the Courthouse Restoration Fund for the year ended December 31, 1998; and the Community Development Block Grant Fund, Associate Division Interest Fund, Probate Division Interest Fund, and the Circuit Clerk Interest Fund for the year ended December 31, 1997.

Warrants issued were in excess of budgeted amounts for the Law Library Fund, Recorder's Preservation Fund, Senate Bill 40 Board Fund, Associate Division Interest Fund, Probate Division Interest Fund, and the Circuit Clerk Interest Fund for the year ended December 31, 1998; and the Special Road and Bridge Fund and the Sheriff's Inmate Fund for the year ended December 31, 1997. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Federal Emergency Management Assistance Fund, and for the year ended December 31, 1997, did not include the Community Development Block Grant Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's and Senate Bill 40 Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the Senate Bill 40 Board existed at those times although not at year-end.

To protect the safety of Senate Bill 40 Board deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $56,700 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $30,346. As of December 31, 1998, $11,383 remains to be paid.

4. Year 2000 Issues

On April 29, 1999, a letter was received from the county's accounting software provider, assuring the county that to the best of their knowledge their software products are Year 2000-compliant; or would be after an updating process.

A local vendor reviewed and tested the county's computer systems and hardware on April 16, 1999. The vendor found that two personal computers (PCs) were Year 2000-compliant; however, three failed the test, including the county's server which is located in the Assessor's office. The vendor advised the county that this was not an area of major concern, and that the county's PCs are able to be Year 2000 ready. The vendor stated that the county would have to purchase Year 2000 boards that can be installed in the computers that failed the test. At this time, the county scheduled an appointment with the vendor to install the boards. The cost for this service was $60, and the cost of the replacement boards is estimated to be $75 each plus labor.

The Carroll County Sheriff's Department assured the County Commission in December 1998, that all radio equipment and related emergency service computers are compliant.

Supplementary Schedule

Schedule

CARROLL COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
10.9	Direct program - Watershed Protection and Flood Prevention	N/A	$ 0	3,955
	Passed through state:			
10.6	Department of Social Services - Food Distribution	N/A	178	55
10.6	Department of Health - Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-116	28,765	35,839
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
12.unknown	Department of Public Safety - surplus property	N/A	0	2,135
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state-Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	93-DR-40	0	4,414
	U.S. DEPARTMENT OF THE INTERIOR			
	Passed through state-Department of Natural Resources -			
15.904	Historic Preservation Fund Grants-In-Aid	29-96-11100-416	0	6,000
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs - Public Safety Partnership and			
16.7	Community Policing ("Cops") Grants	97-UM-WX-0010	16,620	16,902
	Passed through -			
16.unknown	Missouri Sheriffs' Association - Domestic Cannabis Eradication/Suppression Program	N/A	0	1,147
	U.S. DEPARTMENT OF LABOR			
17.3	Passed through state Department of Economic Development - Job Training Partnership Act	N/A	2,040	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission - Off-System Bridge Replacement and Rehabilitation			
20.2	Program	BRO-017(18)	0	10,679

		BRO-017(21)	752	301,292
		BRO-017(22)	1,386	2,188
		BRO-017(23)	29,134	216,393
		BRO-017(24)	5,690	210,075
		BRO-017(26)	0	378,930
		BRO-017(27)	709	5,296
		BRO-017(28)	273,114	76,791
		BRO-017(29)	27,302	0
		BRO-017(31)	836	0
		BRO-017(32)	12,342	0
		BRO-017(33)	12,212	0
	Program Total		363,477	1,201,644
::				
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	15,102	38,996
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.5	Public Assistance Grants	FEMA-995-DR-MO	0	21,362
		FEMA-1253-DR-MO	143,287	0
	Program Total		143,287	21,362
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	ERO146-116GPH	5,100	6,343
	Department of Social Services - Child Support			
93.6	Enforcement	N/A	17,959	5,651
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO146-116-CCNC	1,143	1,370
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO146-116MCH	13,224	18,215
	Total Expenditures of Federal Awards		$ 606,895	1,364,028

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

CARROLL COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Carroll County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and the U.S. Department of Defense Surplus Property Program represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $141,722 to subrecipients under Public Assistance Grants (CFDA number 83.544) during the year ended December 31, 1998.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Carroll County, Missouri

Compliance

We have audited the compliance of Carroll County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Carroll County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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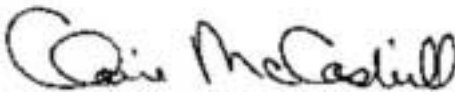
Internal Control Over Compliance

The management of Carroll County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Carroll County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

Schedule

CARROLL COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	X no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	X none reported
Noncompliance material to the financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major program:		
Material weakness identified?	_____ yes	X no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	X none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	X no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CARROLL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

CARROLL COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

CARROLL COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Carroll County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Carroll County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings also resulted from our audit of the special-purpose financial statements of Carroll County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Tax Book Procedures

A. The back tax books prepared by the County Clerk include only the most current delinquent year. For prior years, the Ex Officio County Collector obtains a computerized summary report of back taxes to use for her annual settlement; however, the County Clerk does not verify this information. In addition, a back tax aggregate abstract has not been prepared and submitted to the Department of Revenue for the years ended February 28, 1998 and 1999.

Section 140.050, RSMo 1994, requires the County Clerk to make the back tax books and charge the Ex Officio County Collector with the aggregate amount of taxes, interest, and County Clerk's fees contained in the back tax books. Furthermore, Section 140.050, RSMo 1994, also requires the County Clerk to provide this information to the Department of Revenue.

The County Clerk is responsible for the accuracy of the back tax books and the amounts with which the Ex Officio County Collector is charged. Failure to verify all prior years' back tax book charges could result in the Ex Officio County Collector not being charged with the correct amount and any errors and irregularities not being discovered in a timely manner.

B. The County Clerk does not maintain an account book with the Ex Officio County Collector. An account book would summarize all taxes charged to the Ex Officio County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book.

Section 51.150(2), RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can also be used by the County Commission to verify the accuracy of the Ex Officio County Collector's annual settlements.

This condition was also noted in our prior report.

C. Tax book abatements are initiated by the County Assessor. The Ex Officio County Collector makes these changes to the property tax records and periodically prepares court orders which are approved by the County Commission. However, there is no independent and subsequent comparison of approved court-ordered abatements to the actual changes to the property tax data files or to amounts reflected on the Ex Officio County Collector’s annual settlement.

Since the Ex Officio County Collector is responsible for collecting the taxes, she should not have the capability to make these changes to the actual tax data. This

procedure, without independent and subsequent review of the actual changes made, weakens controls over the collection of taxes.

Section 137.260, RSMo 1994, requires that the tax book only be changed by the County Clerk under order of the County Commission. Controls should be established so that the Ex Officio County Collector does not have the capability to make these changes to the tax data without a subsequent independent review or reconciliation of all approved abatements to changes made to the property tax data or to amounts reflected on the Ex Officio County Collector's annual settlement.

WE RECOMMEND:

A. The County Clerk prepare back tax books for all delinquent years or verify the totals reported by the Ex Officio County Collector. In addition, the County Clerk should prepare the back tax aggregate abstract and file it with the Department of Revenue.

B. The County Clerk establish and maintain an account book with the Ex Officio County Collector for the County Commission to use to verify the accuracy of the Ex Officio County Collector's annual settlements.

C. The County Commission revise the abatement process so that the Ex Officio County Collector does not have the capability to make such changes to tax data without other controls in place.

AUDITEE'S RESPONSE

A&B. The County Clerk concurs and indicated changes have been made to implement these recommendations.

C. The County Commission concurs.

2. Ex Officio County Collector's Procedures

The Ex Officio County Collector's office processed property taxes totaling in excess of $2 million annually during the two years ended February 28, 1999. A review of the records and procedures in this office disclosed the following concerns:

A. The Ex Officio County Collector did not file annual settlements with the County Commission on a timely basis. The annual settlements were not filed for the year ended February 28, 1998, until May 21, 1999, over fourteen months late. In addition, the annual settlement for the year ended February 28, 1999, was not filed until June 16, 1999.

Section 139.160, RSMo 1994, requires the annual settlement to be filed with the County Commission by the first Monday in March. While filing the annual

settlement by the statutory due date is difficult, the Ex Officio County Collector needs to make a greater effort to ensure her annual settlements are filed on a more timely basis.

B. Although some of the bank accounts in the office were properly reconciled, the balance of the Ex Officio County Collector's primary bank account has not been reconciled with the accounting records since she became the new officeholder in April 1997. Monthly bank reconciliations are necessary to ensure accounting records are in balance and to ensure errors are identified and corrected on a timely basis.

C. The Ex Officio County Collector did not maintain an account book during the two years ended February 28, 1999. A properly maintained account book provides the information necessary to prepare the annual settlement, including taxes the Ex Officio County Collector has been charged with, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book.

WE RECOMMEND the Ex Officio County Collector:

A. File annual settlements in a timely manner.

B. Reconcile the balance of the primary bank account to the checkbook balance and turnover on a monthly basis.

C. Maintain an account book to assist her in the preparation of the annual settlements.

AUDITEE'S RESPONSE

The Ex Officio Collector provided the following response:

A. Distributing monies that had been collected to the different entities was the #1 priority to the Ex Officio Collector's office. My staff, along with the help of twenty township collectors, processed property taxes totaling in excess of $5 million annually to the different entities of the county accurately. I am pleased with the basically clean audit of both the Treasurer's and Ex Officio Collector's office. The state statute, Section 139.160, RSMo 1994, requiring the annual settlement report to be filed with the County Commission by the first Monday in March is an unrealistic statute to township counties such as Carroll County. During the first week of March, the office staff is receiving the delinquent tax books from the twenty township collectors, plus collecting over $83,000 from taxpayers during the months of March and April. The office staff cannot collect this volume of money and process an accurate annual settlement report at the same time. Computer generated spreadsheets have been developed by the office staff to ensure that next year's annual settlement report will be filed with the County Commission on a more timely basis. The office staff continues to attend computer classes and to network with other counties in helping the office be more efficient. I am extremely proud of the dedication of the twenty township collectors and my past and present office staff.

B. Upon suggestions from the State Auditors, the past practice of having several different bank accounts on the Ex Officio Collector's side will be discontinued. The delinquent surtax, the current surtax, and the corporation bank accounts will be combined to one Ex Officio Collector account so reconciling the bank statement against the Ex Officio Collector fund ledgers can be accomplished each month in a more timely manner.

C. The Ex Officio Collector account book is being properly maintained on a monthly basis so the annual settlement report can be completed nearer to the stated deadline.

3. Circuit Clerk's Open Items

The Circuit Clerk prepares monthly open items listings for the fee account and compares the total open items with the reconciled cash balance of this account. However, these comparisons consistently identify differences between the two totals which are not adequately investigated and resolved. Differences fluctuated each month throughout the audit period, and ranged from an open items balance which exceeded the reconciled cash balance by $419 at April 30, 1997, to a reconciled cash balance which exceeded the open items balance by $577 at October 31, 1998. At December 31, 1998, the reconciled cash balance exceeded the open items balance by $366.

The Circuit Clerk has a large number of open cases and because the manner in which the case fee sheets are filed has made this reconciliation process more difficult, changes may be needed.

Monthly listings of open items should be reconciled to the cash balance and differences should be investigated and resolved to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

This condition was also noted in our prior report.

WE AGAIN RECOMMEND the Circuit Clerk prepare a complete listing of open items and reconcile monthly listings of open items to the reconciled cash balance. Any differences should be investigated and explained.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following response:

I have reviewed this finding and recommendation and I am quite aware of this problem. This has been a problem for some time and it is something that I acknowledge. I have talked to the State Court Administrator's office about this problem and I believe that there is a computer program that the courts have to help with this problem. Also, when the courts become fully automated, the open items will be part of the package.

4. Prosecuting Attorney's Records and Procedures

The Prosecuting Attorney's office collected approximately $59,000 in court-ordered restitution, and bad check restitution and related fees during the year ended December 31, 1998.

A. Bad check fees were not always disbursed to the County Treasurer on a timely basis. For example, bad check fees collected in August, September, October, and November 1998, totaling $2,730, were not transmitted to the County Treasurer until December 1998. In addition, the monthly reports of fees for these months were not filed with the County Commission until December 1998.

   To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer on a monthly basis. In addition, Section 50.370, RSMo 1994, requires county officials to prepare and file a monthly report of fees collected with the County Commission.

B. The method of payment (cash, check, or money order) is not consistently indicated on the receipt slips. To help ensure monies are properly accounted for, the method of payment should be recorded on the receipt slips and the composition of the recorded receipts should be reconciled to the composition of bank deposits.

C. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as subsequent disposition of these bad checks has not been established. County merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection; however, the complaints are not recorded on a log nor is the ultimate disposition accounted for properly.

   To ensure all bad checks turned over to the Prosecuting Attorney are properly handled and accounted for, a sequential number should be assigned to each bad check received and a log should be maintained listing each bad check and its disposition. The log should contain information such as the assigned number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date payment was received and disbursed to the merchant, the criminal case in which charges were filed, or other disposition.

Conditions A. and C. were similarly noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Transmit bad check fees to the County Treasurer in a timely manner and file monthly reports with the County Commission as required.

B. Indicate the method of payment on all receipt slips written and reconcile the composition of recorded receipts to bank deposits.

C. Maintain a log to adequately account for bad check complaints received, as well as the ultimate disposition of the related bad checks.

AUDITEE'S RESPONSE

A&B. The Prosecuting Attorney concurs.

C. The Prosecuting Attorney indicated this recommendation has already been implemented.

5. Sheriff's Commissary Account

The Sheriff maintains a separate checking account to account for personal monies of inmates and funds used to operate a commissary for inmates. The commissary monies in the account represent receipts from the sale of candy, soda, cigarettes, stamps, and various other products sold to inmates as well as the disbursements of monies to purchase such items for inventory. A record is maintained for each inmate which reflects monies received on the inmate's behalf, purchases made from the commissary, and the available cash balance. Any amount in the commissary account in excess of the total of the inmate balances is assumed to be profits. Any such profits exceeding $300 at the end of the month are paid to the County Treasurer for credit to the Sheriff's Inmate Fund. During our review of this account, the related controls, and procedures surrounding it, we noted the following concerns:

A. The total of the inmates' monies in the commissary checking account is not adequately reconciled to the total of the individual prisoner balances. A monthly listing of individual inmate balances is prepared and compared to the book balance; however, the balances cannot be reconciled to the balance in the bank account because the account also contains the commissary monies for which no separate accounting record is maintained.

To allow for such reconciliations and to adequately account for commissary activity, the Sheriff's department should establish records that account for commissary sales, inventory purchases, and the commissary balance. Reconciliations of the inmate and commissary balances to the bank account is necessary to ensure all monies received are accounted for properly.

B. During the year ended December 31, 1998, over $24,000 in commissary inventory was purchased by the Sheriff; however, no inventory records were maintained to account for the items purchased and sold through the commissary.

To adequately account for commissary merchandise, a detailed inventory ledger should be maintained on a perpetual basis. Perpetual inventory records should

document the beginning balance for each item, items purchased, items sold or otherwise disposed of, and the ending balance of each item. In addition, to enhance control and safeguarding of inventories, periodic physical inventory counts should be performed and reconciled to perpetual inventory records. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records.

WE RECOMMEND the Sheriff:

A. Maintain records to account for the balance of commissary monies and reconcile this balance and the total of individual inmate balances to the bank account on a monthly basis.

B. Consider maintaining perpetual inventory records for all commissary inventory items and ensure a physical count of inventory is performed periodically by an employee independent of daily commissary operations. The results of the physical count should be compared to the perpetual inventory records and discrepancies should be investigated in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following response:

A. Inmate monies are now accounted for and reconciled with the inmate account.

B. Inventory records are now maintained to account for commissary items. Commissary purchases are generally made weekly and purchases made are reflected in those inventory records and receipts are kept.

6. Public Administrator

The Public Administrator periodically handles the sale of real estate for cases assigned to him by the Associate Circuit Judge. For one such case, the Public Administrator conducted the sale of real estate in June 1998; however, no payments were made at that time. An initial payment of $50,000 was eventually made in December 1998, and a final payment of $309,500 was made in March 1999. Both payments were deposited into a bank account controlled by the attorney for this estate.

After we inquired about this sale in May 1999, the Public Administrator determined the $359,500 in proceeds from the sale remained in the attorney's bank account. A check was subsequently issued by the attorney to the estate and deposited by the Public Administrator in the estate's bank account on May 18, 1999.

It appears the Public Administrator did not adequately follow-up on this transaction with the attorney and ensure the monies were deposited in the estate's bank account in a timely

manner. As a result, the estate lost potential interest earnings on the proceeds from the sale of at least $2,700.

WE RECOMMEND the Public Administrator ensure all monies received on behalf of his estates are collected and deposited by him in a timely manner. If monies or assets do not come to him directly, he should ensure they are turned over to him in a timely fashion.

AUDITEE'S RESPONSE

The Public Administrator concurs.

7. Senate Bill 40 Board

A. The Senate Bill 40 Board approved expenditures in excess of budgeted amounts of $11,041 for the year ended December 31, 1998. There were no formal amendments filed nor any mention in the board minutes as to why the budgeted amounts were exceeded.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246(1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1998, provides that county boards may amend the annual budget during any year in which the board receives additional funds which could not be estimated when the budget was adopted and that the board shall follow the same procedures required for adoption of the annual budget to amend the budget.

B. The Senate Bill 40 Board budgets for the 1999 and 1998 calendar years contained several misclassifications of both budgeted and actual receipts. In addition, it appears the actual amounts presented on the budget documents were not agreed to the accounting records. Property tax revenues and expenditures for 1998 and 1997 were both overstated on the budgets as Assessment Fund withholdings which were not actually received or disbursed by the Senate Bill 40 Board were included in these amounts.

To be of maximum assistance to the Senate Bill 40 Board and to adequately inform the public, the budget document should include accurate classifications and the actual receipt and disbursement information included in the budgets should be agreed to the accounting records.

C. The Senate Bill 40 Board's funds on deposit exceeded the FDIC coverage by approximately $13,300 and $3,800 during March 1998 and 1997, respectively. It appears no collateral securities were pledged by the depositary bank to cover the monies in excess of the FDIC coverage. The Senate Bill 40 Board apparently did not monitor the funds on deposit to ensure collateral securities were pledged when necessary.

Section 110.020, RSMo 1994, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

D. Although the Senate Bill 40 Board secretary/treasurer is properly bonded, the board president who is responsible for co-signing checks is not bonded. The Senate Bill 40 Board should consider bonding all individuals with access to monies to better protect the board from risk of loss.

E. A Senate Bill 40 Board member's husband serves as president of two of the not-for-profit boards and the treasurer of the other not-for-profit board which received funding from the county board. Because the Senate Bill 40 Board and these three entities transact business with each other, this situation may present a conflict of interest.

To provide greater assurance the Senate Bill 40 Board is acting independently and in the best interest of the county, there should be no conflicts or ties such as this between members of the county board and the groups with which it transacts business.

Condition B. was also noted in our prior report.

WE RECOMMEND the Senate Bill 40 Board:

A. Not authorize expenditures in excess of budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.

B. Ensure budget information is properly classified and agreed to the accounting records.

C. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

D. Consider obtaining adequate bond coverage for all individuals with access to monies.

E. Discuss this matter with the County Commission and the need to ensure future appointments to the Senate Bill 40 Board will not result in a possible conflict of interest with groups which the county board conducts business.

AUDITEE'S RESPONSE

A-C. The Senate Bill 40 Board President concurs.

D. The Senate Bill 40 Board President indicated this recommendation has already been implemented.

E. The Senate Bill 40 Board President concurs with this recommendation and indicated an effort will be made to avoid this situation when future appointments are required.

The County Commission indicated it will consider this recommendation; however, they indicated it is sometimes difficult to find individuals to serve on county boards.

This report is intended for the information of the management of Carroll County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

CARROLL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Carroll County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary and Reporting Practices

   A. Actual expenditures were in excess of approved budgeted expenditures for various funds during the two years ended December 31, 1996.

   B. Formal budgets were not prepared for various county funds for the years ended December 31, 1996 and 1995.

   C. The annual published financial statements of the county did not include the financial activity of some county funds as required.

   Recommendation:

   The County Commission:

   A. Not authorize warrants in excess of budgeted expenditures.

   B. Ensure budgets are obtained or prepared for all county funds.

   C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

   Status:

   A. Partially implemented. The Special Road and Bridge Fund's budget was overspent in 1997 by over $60,000; however, it appears in 1998 the county did a better job of monitoring the budget and no significant overspending occurred. Although not repeated in the current MAR, our recommendation remains as stated above.

   B. Partially implemented. Formal budgets were prepared for the Associate Division Interest Fund, Circuit Clerk Interest Fund, and the Probate Division Interest Fund for the year ended December 31, 1998; however, formal budgets were not prepared for the Federal Emergency Management Assistance Fund and the Courthouse Restoration Fund. Although not repeated in the current MAR, our recommendation remains as stated above.

   C. Partially implemented. The Health Center published its financial statements separate from the county's published financial statements for the years ended December 31,

1998 and 1997. The county's published financial statements for the years ended December 31, 1998 and 1997, included the Senate Bill 40 Board Fund, Associate Division Interest Fund, Circuit Clerk Interest Fund, and the Probate Division Interest Fund; however, the Federal Emergency Management Assistance Fund was still not included. Although not repeated in the current MAR, our recommendation remains as stated above.

2. County Expenditures and Contracts

A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases.

B. The county did not prepare IRS Form 1099-MISC information returns when applicable.

C. The county did not enter into a written contract with a mental health association which received funding from the county.

D. Carroll County paid an incorrect percent of expenses of the juvenile office based on the populations of the two counties in that judicial circuit. This resulted in the county overpaying juvenile expenses by approximately $2,400 during the two years ended December 31, 1996.

Recommendation:

The County Commission:

A. Solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

B. Prepare IRS Forms 1099-MISC when required.

C. Enter into written contracts that specifically state the services to be provided to the county. Any expenditures made should be monitored for compliance with the terms of the contract.

D. Ensure the correct percentage is used to prorate future juvenile office expenditures. In addition, the County Commission should review prior expenses to determine amounts overpaid and pursue reimbursement of these expenses as appropriate.

Status:

A. Partially implemented. While we again noted a few instances where bids were not solicited or documented, it appears the county generally solicited bids as required. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. During the current audit period, we noted two instances in which IRS Forms 1099-MISC were not properly filed; however, the county has made improvement in this area. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Not implemented. In early 1998, the county drafted a contract, signed it, and sent it to the mental health association to be signed; however, the contract was not returned to the county. The county did not provide any funding to this entity in 1999. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Partially implemented. The correct percentage is currently used to prorate juvenile office personnel and mileage expenditures; however, the County Commission has not pursued the reimbursement of the amounts overpaid in the prior audit. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Apportionment of Railroad and Utility Taxes

The County Clerk did not correctly apportion 1996 railroad and utility taxes to the school districts.

Recommendation:

The County Clerk correct the over and underpayments to the various school districts during subsequent apportionment distributions and calculate the apportionments correctly in the future.

Status:

Implemented.

4. Ex Officio County Collector's Withholdings from Tax Collections

During the two years ended February 28 (29), 1997, the Ex Officio County Collector did not adjust railroad and utility tax collections for the effects of Proposition C when calculating assessment withholdings.

Recommendation:

The Ex Officio County Collector recalculate assessment withholdings on railroad and utility tax collections and make any necessary adjustments. In the future, properly retain all allowable assessment withholdings from school district railroad and utility tax collections.

Status:

Implemented.

5. Prosecuting Attorney's Records and Procedures

A. Prosecuting attorney fees received from the associate court and bad check fees were not always transmitted to the County Treasurer on a timely basis. In addition, monthly reports of fees for calendar year 1996 were not turned in to the county until February 1997.

B. Receipt slips were not issued for some monies received and receipts were not always deposited in a timely manner.

C. A report was prepared indicating the dollar amount of receipts, the date of deposit, and which receipts had not been disbursed as of month end; however, this listing of open items was not reconciled with the book and reconciled bank balances.

D. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks had not been established.

Recommendation:

The Prosecuting Attorney:

A. Transmit all fees and file monthly reports with the County Commission in a timely manner.

B. Require receipts slips be issued for all monies received, receipts to be recorded in the accounting records immediately when received, and deposits to be made daily or when accumulated receipts exceed $100.

C. Ensure open items listings are reconciled to the cash balance on a monthly basis.

D. Maintain a log to adequately account for bad check complaints received, as well as the ultimate disposition of the related bad checks.

Status:

A. Not implemented. The Prosecuting Attorney no longer receives fees from the courts, but bad checks fees are still not always turned over on a timely basis. See MAR No. 4.

B. Implemented.

C. The Prosecuting Attorney's office currently disburses restitution amounts as received; therefore, with the exception of the bad check fees not always being turned over timely, there are no open items or liabilities and this recommendation is no longer applicable.

D. Not implemented. See MAR No. 4.

6. Sheriff's Accounting Policies and Procedures

A.1. Receipt slips for the inmate account did not always indicate the method of payment.

2. Receipts pertaining to both the regular and inmate accounts were not deposited on a timely basis.

3. Checks were not always restrictively endorsed immediately upon receipt.

4. Receipt slips were not always prepared immediately upon the receipt of the monies.

B. Monthly listings of liabilities (open items) for the inmate bank account were not prepared; consequently, liabilities were not reconciled with the cash balance on a periodic basis.

C. The Sheriff's department received commissions from the telephone company based on collect telephone calls made by prisoners at the jail. In January 1997, the telephone company discontinued disbursing commissions to the Sheriff, and instead gave credit for the commissions earned which were used to offset a computer system purchase costing $6,600 through the telephone company. There was no written agreement with the telephone company outlining the terms of this purchase nor was this computer purchase bid or handled through the county's normal disbursement process.

Recommendation:

The Sheriff:

A.1. Record the method of payment for all monies received in the inmate account.

2. Require monies be deposited daily or when accumulated receipts exceed $100.

3. Endorse checks immediately upon receipt.

4. Issue receipt slips for all monies immediately upon receipt.

B. Ensure open items listings are prepared on a monthly basis and reconciled to the cash balance.

C. Turn over all future telephone commissions to the County Treasurer for deposit into the General Revenue Fund and disburse monies only on warrants approved by the County Commission. Expenditures from these monies should be properly bid as required by state law and written contracts obtained for services when necessary.

Status:

A.1. Not implemented. During the current audit period, we again noted instances in which the method of payment was not indicated on the receipt slip. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Partially implemented. We again noted instances in which deposits were not made daily or when accumulated receipts exceed $100; however, the Sheriff has made improvement in this area. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Implemented.

4. Partially implemented. We again noted instances in which a receipt slip was not prepared immediately upon the receipt of monies; however, the Sheriff has made improvement in this area. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. Monthly listings of inmate balances are prepared and compared to the book balance; however, the balances cannot be reconciled to the balance in the inmate bank account because the account also contains the commissary monies for which no records are maintained. See MAR No. 5.

C. Partially implemented. During the latter part of the audit period, the Sheriff turned over a major portion of the commissions earned; however, approximately $2,600 in commissions was deducted by the telephone company to replace the telephones at the jail which are used by the prisoners. The county entered into a contract with the telephone company for the purchase and installation of these telephones. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Circuit Clerk's Accounting Policies and Procedures

A. The Circuit Clerk prepared monthly open items listings for the fee account, however, differences between these listings and the reconciled cash balance of this account were not investigated or resolved on a timely basis. Two cases were mistakenly carried on the open items listing even though the monies pertaining to the cases had been disbursed.

B. Receipts were not deposited on a timely basis.

Recommendation:

The Circuit Clerk:

A. Prepare an accurate listing of open items and reconcile monthly listings of open items to cash balances, investigating any differences.

B. Require monies be deposited daily or when accumulated receipts exceed $100.

Status:

A. Not implemented. See MAR No. 3.

B. Partially implemented. We again noted instances where receipts were not deposited timely; however, the Circuit Clerk has made improvement in this area. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Assessor's Controls and Procedures

A. Receipt slips were not issued for monies received nor was the method of payment indicated on any receipt records.
B. Checks were not restrictively endorsed immediately upon receipt.

C. The Assessor did not transmit receipts to the County Treasurer intact. Cash was sometimes held from receipts to make change and personal checks were cashed for employees.

D. Monthly reports of fees collected were not reviewed or signed indicating approval by the Assessor, before they were turned over to the County Treasurer. In addition, these reports were not filed with the County Commission.

Recommendation:

The Assessor:

A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of the receipt slips issued. In addition, require the method of payment be indicated on all receipts and reconcile total cash and checks to monies remitted to the County Treasurer.

B. Restrictively endorse all checks and money orders upon receipt.

C. Transmit all monies received to the County Treasurer intact. The composition of checks and cash received should be reconciled to the composition of amounts turned over to the County Treasurer. In addition, discontinue the practice of cashing personal checks.

D. Ensure all fee reports are approved and filed in accordance with state law.

Status:

A-D. Implemented.

9. County Clerk's Accounting Policies and Procedures

A. Receipts were not deposited on a timely basis.

B. The County Clerk did not maintain an account book with the Ex Officio County Collector.

Recommendation:

The County Clerk:

. A. Deposit monies daily or when accumulated receipts exceed $100.

B. Establish and maintain an account book with the Ex Officio County Collector for the County Commission to use to verify the accuracy of the Ex Officio County Collector's annual settlements.

Status:

A. Partially implemented. Although the County Clerk still does not always deposit monies timely, it appears improvement has been made in this area. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. See MAR No. 1.

10. Children's Trust Fund

Fees to be used to provide financial assistance to shelters for victims of domestic violence had not been expended from the related fund and the county had no plans to distribute these monies.

Recommendation:

The County Commission seek out potential users for the Children's Trust Fund monies.

Status:

Implemented. The county entered into a contract and distributed $1,500 to a shelter for victims of domestic violence during 1998. The county has decided not to distribute any funds to this shelter in 1999 and is considering other shelters for future funding.

11. Health Center Accounting Controls and Budgetary Procedures

A. The Board of Trustees approved expenditures of $14,019 in excess of budgeted amounts for the year ended December 31, 1995.

B. The health center did not prepare IRS Forms 1099-MISC when applicable.

C. During 1996, the health center entered into an agreement with a business to perform health surveys. The written agreement was not signed by the necessary parties.

Recommendation:

The Health Center Board of Trustees:

A. Not authorize warrants in excess of budgeted expenditures.

B. Prepare IRS Forms 1099-MISC when required.

C. Ensure written agreements are signed for contracts or services received.

Status:

A,B, &C. Implemented.

12. Senate Bill 40 Board

A. The Senate Bill 40 Board budgets for 1997 and 1996 contained several errors and misclassifications of receipts and disbursements. In addition, the cash reconciliation portion of the 1997 budget did not properly foot.

B. The Senate Bill 40 Board contracted with three sheltered workshops to provide services to handicapped individuals. One sheltered workshop received an additional $6,500 a year for administrative services. The contract with the sheltered workshop did not specify what these administrative services covered, nor was there any written documentation of what this funding was to cover and what was considered allowable expenditures.

Recommendation:

The Senate Bill 40 Board:

A. Ensure budget information is properly classified and accurate.

B. Ensure contracts with sheltered workshops contain specific provisions regarding how funds are to be used.

Status:

A. Partially implemented. No instances of mathematical errors were noted in the Senate Bill 40 Board budgets for 1999 and 1998; however, the budgets again contained misclassification and other errors. See MAR No. 7.

B. Partially implemented. It appears the Senate Bill 40 Board attempted to address this recommendation in its 1998 contract with this entity. Although the contract did not provide much detail regarding the allowable expenses related to this funding, the contract did indicate that these monies would be used to pay for office space, supplies, and meeting room costs. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

CARROLL COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Carroll was named after Charles Carroll, a local resident and a signer of the Declaration of Independence. Carroll County is a township-organized, third-class county and is part of the Eighth Judicial Circuit. The county seat is Carrollton.

Carroll County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Carroll County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 316,170	12	297,151	10
Sales and use taxes	250,263	10	250,082	8
Federal and state aid	1,519,860	58	1,911,505	63
Fees, interest, and other	512,507	20	596,104	19
Total	$ 2,598,800	100	3,054,842	100

The following chart shows how Carroll County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 635,421	28	624,839	20
Public safety	538,311	24	509,449	16
Highways and roads	1,092,439	48	1,985,728	64
Total	$ 2,266,171	100	3,120,016	100

The county maintains approximately 365 county bridges. Approximately 865 miles of county roads are maintained by the townships.
::

The county's population was 12,565 in 1970 and 10,748 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 51.2	50.6	40.3	33.0	26.4
Personal property	19.9	19.3	11.8	12.2	6.9
Railroad and utilities	35.3	33.8	33.1	27.2	23.4
Total	$ 106.4	103.7	85.2	72.4	56.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Carroll County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ 0.27	0.25
Health Center Fund	0.10	0.10
Senate Bill 40 Board Fund	0.10	0.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 32,068	31,695
General Revenue Fund	287,784	265,202
Special Road and Bridge Fund	17,334	17,106
Assessment Fund	64,638	72,687
Health Center Fund	105,465	104,254
Senate Bill 40 Board Fund	105,552	104,439
Drainage III Fund	24,267	24,494
Johnson Grass Fund	66	64
Townships	757,485	764,856
School Districts	3,923,593	3,594,615
Ambulance District	287,347	284,575
Fire Protection Districts	150,913	148,308
Big Creek and Hurricane Creek Watershed District	18,312	18,666
Drainage Districts	2,470	128
Golden Age Nursing Home	3,769	4,016
Cities	45,426	45,139
County Clerk	250	239
County Employees' Retirement Fund	16,883	17,949
Other	1,887	1,904
Commissions and fees:		
Township Collectors	42,789	42,505
General Revenue Fund	81,512	81,404
Total	$ 5,969,810	5,624,245

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	94.8 %	94.9 %
Personal property	91.4	91.8
Railroad and utilities	96.5	100.0

Carroll County also has the following sales tax; rate is per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	50 %

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			
Nelson Heil, Presiding Commissioner	$	18,000	17,500
Loren Esten Wright, Associate Commissioner		18,000	17,500
Donald Vantrump, Associate Commissioner		18,000	17,500
Peggy McGaugh, County Clerk		30,500	29,500
Kevin L. Walden, Prosecuting Attorney		35,000	17,270
Bonnie Elliott, Prosecuting Attorney			16,730
Joe Arnold, Sheriff		36,000	35,000
Steven W. Bittiker, County Coroner		6,000	6,000
Roy Barclay Staton, Public Administrator*		25,066	22,084
Alta O'Neal, Treasurer and Ex Officio County Collector, year ended March 31,	27,250	26,875	
Wanda Musick Witthar, County Assessor, year ended August 31, **		33,355	
William Reiter, County Assessor, year ended August 31, ***			33,300
Marcus J. Magee, County Surveyor ****			

* Includes fees received from probate cases.
** Includes $675 annual compensation received from the state.
*** Includes $900 annual compensation received from the state.
**** Compensation on a fee basis.

State-Paid Officials:			
Cheryl A. Mansur, Circuit Clerk and Ex Officio Recorder of Deeds		42,183	40,176
Robert A. Bryant, Associate Circuit Judge		85,158	81,792

::
A breakdown of employees (excluding the elected officials) by office at December 31, 1998,

is as follows:

Office	Number of Employees Paid by County		State
County Commission	2	*	0
Circuit Clerk and Ex Officio Recorder of Deeds	1		2
County Clerk	3		0
Prosecuting Attorney	2		0
Sheriff	20	**	0
Treasurer and Ex Officio County Collector	2	*	0
County Assessor	4		0
Associate and Probate Divisions	0		2
Road and Bridge	7		0
Johnson Grass	1	*	0
Health Center	10	***	0
Total	52		4

* Includes one part-time employee.
** Includes two part-time employees.
*** Includes six part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Carroll County's share of the Eighth Judicial Circuit's expenses is 32.85 percent.

* * * * *

AUDIT REPORT

COOPER COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-90
September 30, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Cooper, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Cooper County was a financial and compliance audit of various county operating funds.

< The county does not have a procedure in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The county's SEFA contained numerous errors and omissions. An accurate SEFA is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

COOPER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Cooper County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Cooper County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Cooper County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Cooper County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Cooper County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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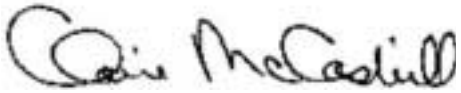
Cooper County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 12, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

July 12, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Cooper County, Missouri

We have audited the special-purpose financial statements of various funds of Cooper County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Cooper County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Cooper County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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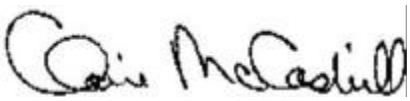
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Cooper County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 12, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

COOPER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 1,217,270	1,611,555	1,656,152	1,172,673
Special Road and Bridge	314,026	1,050,583	1,118,063	246,546
Assessment	1,800	139,737	135,341	6,196
Law Enforcement Training	2,500	6,401	6,421	2,480
Prosecuting Attorney Training	6,016	1,845	2,459	5,402
Prosecuting Attorney Bad Check & Administrative Fee	39,657	14,291	18,481	35,467
Prosecuting Attorney Tax Incentive Payment	2,503	12	2,515	0
Prosecuting Attorney Federal Forfeiture	4,507	213	781	3,939
Recorder of Deeds User Fee Account	32,184	10,280	2,355	40,109
Treasurer Adult Abuse	1,183	750	1,687	246
Road and Bridge Trust	396,206	551,908	748,807	199,307
Enhanced 911	350,414	282,300	208,866	423,848
Overton-Wooldridge Levee District #1	40,110	24,510	7,107	57,513
Law Enforcement Center	0	485,053	324,854	160,199
Sheriff Civil Fees	15,065	35,114	17,496	32,683
Law Library	8,510	7,905	8,510	7,905
Neighborhood Improvement District #1	1,124	8,271	0	9,395
Associate Division Interest	18,320	4,151	0	22,471
Circuit Clerk Interest	6,807	3,788	305	10,290
Probate Division Interest	571	35	0	606
Sheriff Interest	788	3,056	0	3,844
Expendable Cemetery Trust	2,629	397	800	2,226
Total	$ 2,462,190	4,242,155	4,261,000	2,443,345

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

COOPER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,173,076	1,628,186	1,583,992	1,217,270
Special Road and Bridge		192,299	954,370	832,643	314,026
Assessment		3,773	158,202	160,175	1,800
Law Enforcement Training		2,185	5,733	5,418	2,500
Prosecuting Attorney Training		5,649	2,712	2,345	6,016
Prosecuting Attorney Bad Check & Administrative Fee		31,177	13,433	4,953	39,657
Prosecuting Attorney Tax Incentive Payment		9,909	432	7,838	2,503
Prosecuting Attorney Federal Forfeiture		38,818	1,326	35,637	4,507
Recorder of Deeds User Fee Account		23,642	8,542	0	32,184
Treasurer Adult Abuse		477	706	0	1,183
Road and Bridge Trust		327,974	666,493	598,261	396,206
Enhanced 911		300,552	288,967	239,105	350,414
Overton-Wooldridge Levee District #1		66,927	19,419	46,236	40,110
Sheriff Civil Fees		0	15,065	0	15,065
Law Library		5,140	8,510	5,140	8,510
Neighborhood Improvement District #1		188,408	21,716	209,000	1,124
Associate Division Interest		17,345	3,202	2,227	18,320
Circuit Clerk Interest		5,116	1,751	60	6,807
Probate Division Interest		534	37	0	571
Sheriff Interest		4,952	3,678	7,842	788
Substance Abuse Traffic Offenders' Program		250	13,019	13,269	0
Expendable Cemetery Trust		2,219	410	0	2,629
Total	$	2,400,422	3,815,909	3,754,141	2,462,190

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 129,500	155,836	26,336	146,500	121,652	-24,848
Sales taxes	525,000	521,297	-3,703	500,000	527,125	27,125
Intergovernmental	402,200	484,497	82,297	351,492	449,711	98,219
Charges for services	197,800	177,802	-19,998	233,300	208,369	-24,931
Interest	75,000	82,870	7,870	80,000	75,518	-4,482
Other	1,000	15,253	14,253	1,250	9,259	8,009
Transfers in	28,000	174,000	146,000	27,552	236,552	209,000
Total Receipts	1,358,500	1,611,555	253,055	1,340,094	1,628,186	288,092
DISBURSEMENTS						
County Commission	72,996	71,169	1,827	72,734	72,223	511
County Clerk	65,480	63,970	1,510	62,961	60,696	2,265
Elections	61,950	53,575	8,375	34,690	31,075	3,615
Buildings and grounds	178,000	103,711	74,289	316,150	210,567	105,583
Employee fringe benefits	130,500	117,154	13,346	132,500	111,663	20,837
County Treasurer	26,762	26,423	339	29,962	28,124	1,838
County Collector	72,500	68,596	3,904	87,701	85,933	1,768
Circuit Clerk & Ex Officio Recorder of Deeds	45,975	42,054	3,921	46,289	39,585	6,704
Associate Circuit Court	20,704	17,335	3,369	24,260	14,763	9,497
Court Reporter & Court Administration	43,604	24,941	18,663	43,598	34,638	8,960
Public Administrator	17,060	17,057	3	16,350	17,348	-998
Other general county government	44,800	68,096	-23,296	36,500	29,852	6,648
Contract Services	45,700	39,700	6,000	41,000	41,000	0
Sheriff	205,112	438,680	-233,568	297,847	307,625	-9,778
Child Support Division	79,962	77,396	2,566	79,632	78,470	1,162
Jail	142,600	22,880	119,720	0	58,130	-58,130
Prosecuting Attorney	85,460	85,015	445	73,324	76,045	-2,721
Juvenile Officer	58,903	57,320	1,583	85,218	50,535	34,683
County Coroner	10,430	10,644	-214	10,430	8,664	1,766
Other public safety	74,772	38,321	36,451	90,828	33,363	57,465
Public health and welfare services	167,814	163,227	4,587	154,289	134,900	19,389
Capital improvements	0	0	0	208,000	8,728	199,272
Transfers out	145,520	48,888	96,632	43,943	50,065	-6,122
Emergency Fund	54,950	0	54,950	142,155	0	142,155
Total Disbursements	1,851,554	1,656,152	195,402	2,130,361	1,583,992	546,369
RECEIPTS OVER (UNDER) DISBURSEMENTS	-493,054	-44,597	448,457	-790,267	44,194	834,461
CASH, JANUARY 1	1,217,270	1,217,270	0	1,173,076	1,173,076	0
CASH, DECEMBER 31	$ 724,216	1,172,673	448,457	382,809	1,217,270	834,461

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 320,468	407,431	86,963	325,500	323,831	-1,669
Intergovernmental	522,900	546,064	23,164	489,500	533,422	43,922
Charges for services	7,200	10,087	2,887	7,200	7,200	0
Interest	16,000	19,559	3,559	7,000	18,991	11,991
Other	0	1,800	1,800	200	10,926	10,726
Transfers in	100,000	65,642	-34,358	55,000	60,000	5,000
Total Receipts	966,568	1,050,583	84,015	884,400	954,370	69,970
DISBURSEMENTS						
Salaries	285,000	280,988	4,012	300,000	264,451	35,549
Employee fringe benefits	74,600	67,487	7,113	71,900	65,623	6,277
Supplies	113,000	90,831	22,169	132,500	98,302	34,198
Insurance	20,000	21,334	-1,334	15,000	18,425	-3,425
Road and bridge materials	155,000	145,547	9,453	145,000	136,460	8,540
Equipment repairs	50,000	53,476	-3,476	50,000	52,752	-2,752
Outside contracting	15,000	8,396	6,604	15,000	2,160	12,840
Equipment purchases and rentals	360,000	356,669	3,331	132,000	111,144	20,856
Construction, repair, and maintenance	1,500	3,761	-2,261	1,200	1,858	-658
Other	57,763	55,574	2,189	55,800	53,916	1,884
Transfers out	34,000	34,000	0	27,552	27,552	0
Total Disbursements	1,165,863	1,118,063	47,800	945,952	832,643	113,309
RECEIPTS OVER (UNDER) DISBURSEMENTS	-199,295	-67,480	131,815	-61,552	121,727	183,279
CASH, JANUARY 1	314,026	314,026	0	192,299	192,299	0
CASH, DECEMBER 31	$ 114,731	246,546	131,815	130,747	314,026	183,279

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 120,000	126,516	6,516	122,330	120,128	-2,202
Charges for services	1,000	1,601	601	1,000	1,382	382
Interest	1,000	1,614	614	1,500	1,571	71
Other	0	6	6	0	121	121
Transfers in	26,632	10,000	-16,632	43,943	35,000	-8,943
Total Receipts	148,632	139,737	-8,895	168,773	158,202	-10,571
DISBURSEMENTS						
Assessor	148,632	135,341	13,291	168,773	160,175	8,598
Total Disbursements	148,632	135,341	13,291	168,773	160,175	8,598
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	4,396	4,396	0	-1,973	-1,973
CASH, JANUARY 1	1,800	1,800	0	3,773	3,773	0
CASH, DECEMBER 31	$ 1,800	6,196	4,396	3,773	1,800	-1,973

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,500	6,046	546	7,000	5,516	-1,484
Interest	100	56	-44	200	151	-49
Other	0	299	299	0	66	66
Total Receipts	5,600	6,401	801	7,200	5,733	-1,467
DISBURSEMENTS						
Sheriff	8,000	6,421	1,579	8,000	5,418	2,582
Total Disbursements	8,000	6,421	1,579	8,000	5,418	2,582
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,400	-20	2,380	-800	315	1,115
CASH, JANUARY 1	2,500	2,500	0	2,185	2,185	0
CASH, DECEMBER 31	$ 100	2,480	2,380	1,385	2,500	1,115

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,150	1,189	39	3,250	2,410	-840
Interest	200	281	81	275	302	27
Other	0	375	375	0	0	0
Total Receipts	1,350	1,845	495	3,525	2,712	-813
DISBURSEMENTS						
Prosecuting Attorney	1,350	2,459	-1,109	3,400	2,345	1,055
Total Disbursements	1,350	2,459	-1,109	3,400	2,345	1,055
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-614	-614	125	367	242
CASH, JANUARY 1	6,016	6,016	0	5,649	5,649	0
CASH, DECEMBER 31	$ 6,016	5,402	-614	5,774	6,016	242

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK & ADMINISTRATIVE FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 11,000	12,364	1,364	11,000	11,676	676
Interest	1,350	1,745	395	1,150	1,757	607
Other	0	182	182	0	0	0
Total Receipts	12,350	14,291	1,941	12,150	13,433	1,283
DISBURSEMENTS						
Prosecuting Attorney	13,094	18,481	-5,387	9,082	4,953	4,129
Total Disbursements	13,094	18,481	-5,387	9,082	4,953	4,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	-744	-4,190	-3,446	3,068	8,480	5,412
CASH, JANUARY 1	39,657	39,657	0	31,177	31,177	0
CASH, DECEMBER 31	$ 38,913	35,467	-3,446	34,245	39,657	5,412

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TAX INCENTIVE PAYMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 0	0	0	0	29	29
Interest	0	12	12	400	403	3
Total Receipts	0	12	12	400	432	32
DISBURSEMENTS						
Prosecuting Attorney	2,338	2,515	-177	6,550	7,838	-1,288
Total Disbursements	2,338	2,515	-177	6,550	7,838	-1,288
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,338	-2,503	-165	-6,150	-7,406	-1,256
CASH, JANUARY 1	2,503	2,503	0	9,909	9,909	0
CASH, DECEMBER 31	$ 165	0	-165	3,759	2,503	-1,256

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY FEDERAL FORFEITURE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 100	213	113	900	1,226	326
Other	0	0	0	0	100	100
Total Receipts	100	213	113	900	1,326	426
DISBURSEMENTS						
Prosecuting Attorney	3,250	781	2,469	33,000	35,637	-2,637
Total Disbursements	3,250	781	2,469	33,000	35,637	-2,637
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,150	-568	2,582	-32,100	-34,311	-2,211
CASH, JANUARY 1	4,507	4,507	0	38,818	38,818	0
CASH, DECEMBER 31	$ 1,357	3,939	2,582	6,718	4,507	-2,211

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER OF DEEDS USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 7,000	8,425	1,425	6,500	7,150	650
Interest	1,200	1,855	655	1,000	1,392	392
Total Receipts	8,200	10,280	2,080	7,500	8,542	1,042
DISBURSEMENTS						
Recorder of Deeds	12,800	2,355	10,445	13,050	0	13,050
Total Disbursements	12,800	2,355	10,445	13,050	0	13,050
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,600	7,925	12,525	-5,550	8,542	14,092
CASH, JANUARY 1	32,184	32,184	0	23,642	23,642	0
CASH, DECEMBER 31	$ 27,584	40,109	12,525	18,092	32,184	14,092

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
TREASURER ADULT ABUSE

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 665	685	20	600	665	65
Interest	40	65	25	8	41	33
Total Receipts	705	750	45	608	706	98
DISBURSEMENTS						
Domestic violence shelter	1,888	1,687	201	1,085	0	1,085
Total Disbursements	1,888	1,687	201	1,085	0	1,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,183	-937	246	-477	706	1,183
CASH, JANUARY 1	1,183	1,183	0	477	477	0
CASH, DECEMBER 31	$ 0	246	246	0	1,183	1,183

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ROAD AND BRIDGE TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 520,000	521,313	1,313	500,000	527,169	27,169
Intergovernmental	50,000	6,959	-43,041	30,000	115,680	85,680
Interest	20,000	23,636	3,636	15,000	22,242	7,242
Other	0	0	0	0	1,402	1,402
Total Receipts	590,000	551,908	-38,092	545,000	666,493	121,493
DISBURSEMENTS						
Construction, repair, and maintenance	840,000	680,621	159,379	790,000	537,818	252,182
Other	1,000	2,544	-1,544	1,000	443	557
Transfers out	100,000	65,642	34,358	60,000	60,000	0
Total Disbursements	941,000	748,807	192,193	851,000	598,261	252,739
RECEIPTS OVER (UNDER) DISBURSEMENTS	-351,000	-196,899	154,101	-306,000	68,232	374,232
CASH, JANUARY 1	396,206	396,206	0	327,974	327,974	0
CASH, DECEMBER 31	$ 45,206	199,307	154,101	21,974	396,206	374,232

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ENHANCED 911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 260,000	260,589	589	240,000	263,553	23,553
Charges for services	0	276	276	400	364	-36
Interest	20,000	21,385	1,385	7,600	24,957	17,357
Other	0	50	50	0	93	93
Total Receipts	280,000	282,300	2,300	248,000	288,967	40,967
DISBURSEMENTS						
Contract services	105,000	103,589	1,411	98,445	97,870	575
Radio equipment	6,750	0	6,750	6,750	13,500	-6,750
Telephone service charges	100,000	68,177	31,823	100,000	101,754	-1,754
Salary	14,000	14,000	0	11,000	11,000	0
Other	26,600	23,100	3,500	47,400	14,981	32,419
Total Disbursements	252,350	208,866	43,484	263,595	239,105	24,490
RECEIPTS OVER (UNDER) DISBURSEMENTS	27,650	73,434	45,784	-15,595	49,862	65,457
CASH, JANUARY 1	350,414	350,414	0	300,552	300,552	0
CASH, DECEMBER 31	$ 378,064	423,848	45,784	284,957	350,414	65,457

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

COOPER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
OVERTON-WOOLDRIDGE LEVEE DISTRICT #1 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 11,124	10,963	-161	13,700	16,038	2,338
Intergovernmental	0	10,800	10,800	0	0	0
Interest	2,000	2,747	747	2,000	3,256	1,256
Other	0	0	0	0	125	125
Total Receipts	13,124	24,510	11,386	15,700	19,419	3,719
DISBURSEMENTS						
Levee repairs and maintenance	9,000	5,069	3,931	40,000	42,960	-2,960
Other	3,350	2,038	1,312	3,500	3,276	224
Total Disbursements	12,350	7,107	5,243	43,500	46,236	-2,736
RECEIPTS OVER (UNDER) DISBURSEMENTS	774	17,403	16,629	-27,800	-26,817	983
CASH, JANUARY 1	40,110	40,110	0	66,927	66,927	0
CASH, DECEMBER 31	$ 40,884	57,513	16,629	39,127	40,110	983

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

COOPER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT CENTER FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	$ 250,000	325,513	75,513
Interest	0	3,005	3,005
Other	0	117,647	117,647
Transfers in	38,888	38,888	0
Total Receipts	288,888	485,053	196,165
DISBURSEMENTS			
Capital improvements	154,500	119,687	34,813
Other	3	156	-153
Debt Service	66,000	65,011	989
Transfers out	140,000	140,000	0
Total Disbursements	360,503	324,854	35,649
RECEIPTS OVER (UNDER) DISBURSEMENTS	-71,615	160,199	231,814
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ -71,615	160,199	231,814

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

COOPER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	30,000	34,217	4,217
Interest		0	897	897
Total Receipts		30,000	35,114	5,114
DISBURSEMENTS				
Equipment		26,000	17,496	8,504
Total Disbursements		26,000	17,496	8,504
RECEIPTS OVER (UNDER) DISBURSEMENTS		4,000	17,618	13,618
CASH, JANUARY 1		15,065	15,065	0
CASH, DECEMBER 31	$	19,065	32,683	13,618

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Cooper County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Enhanced 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998 and 1997
Neighborhood Improvement District #1 Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997
Sheriff Interest Fund	1998 and 1997
Substance Abuse Traffic Offender's Program Fund	1997
Expendable Cemetery Trust Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Training Fund	1998
Prosecuting Attorney Bad Check and Administrative Fee Fund	1998
Prosecuting Attorney Federal Forfeiture Fund	1997
Overton-Wooldridge Levee District #1 Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the Law Enforcement Center Fund for the year ended December 31, 1998.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1997
Prosecuting Attorney Training Fund	1997
Prosecuting Attorney Bad Check and Administrative Fee Fund	1997
Prosecuting Attorney Tax Incentive Payment Fund	1997
Prosecuting Attorney Federal Forfeiture Fund	1997

Recorder of Deeds User Fee Account Fund	1997
Treasurer Adult Abuse Fund	1997
Overton-Wooldridge Levee District #1 Fund	1997
Law Library Fund	1997
Neighborhood Improvement District #1 Fund	1997
Associate Division Interest Fund	1997
Circuit Clerk Interest Fund	1997
Probate Division Interest Fund	1997
Sheriff Interest Fund	1997
Substance Abuse Traffic Offender's Program Fund	1997
Expendable Cemetery Trust Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $252,915 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $133,375. As of December 31, 1998, $50,017 remains to be paid.

Supplementary Schedule

Schedule

COOPER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-7126	0	26,247
		ER0045-8126	24,375	8,400
		ER0045-9126	10,675	0
	Program Total		35,050	34,647
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
	Office of Administration -			
12.112	Payments to States in Lieu of Real Estate Taxes	N/A	33,957	0
	Department of Public Safety -			
12.unknown	surplus property	N/A	1,425	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	ER0-1640105	23,902	14,117
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.710	Public Safety Partnership and Community Policing ("Cops") Grants	95-CF-WX-2058	17,319	16,471
16.unknown	Equitable Sharing of Seized and Forfeited Property		781	35,637
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.205	Off-System Bridge Replacement and Rehabilitation Program	BR0-027(11)	0	46,564
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	32,882	45,980
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance	N/A	7,959	11,950
83.516	Disaster Assistance	FEMA-1054-DR-M	0	38,977
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.268	Immunization Grants	PG-0064-7126IAP	0	3,017
		PG-0064-8126IAP	3,065	1,890
		PG-0064-9126IAP	1,830	0
	Program Total		4,895	4,907
::				
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	54,541	60,291
	Department of Health -			
93.575	Child Care and Development Block Grant	ER0146-7126CCNC	0	1,292
		ER0146-8126CCNC	1,210	457
		ER0146-9126CCS&SCS	435	0
	Program Total		1,645	1,749
93.667	Department of Social Services - Social Services Block Grant - Juvenile Court Division Services Program	ER0172044	1,128	185
93.994	Maternal and Child Health Services	ER0146-7126MCH	0	14,096
		ER0146-8126MCH	14,636	1,644
		ER0146-9126MCH	1,606	0
	Program Total		16,242	15,740
93.994	Comprehensive Family Planning Services	ER0175-7126FP	0	3,978
		ER0175-8126FP	3,174	1,380
		ER0175-9126FP	518	0
	Program Total		3,692	5,358
	Total Expenditures of Federal Awards		$ 235,418	332,573

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

COOPER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Cooper County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $23,902 and $14,117 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Cooper County, Missouri

Compliance

We have audited the compliance of Cooper County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Cooper County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

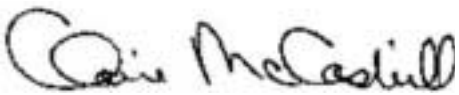
Internal Control Over Compliance

The management of Cooper County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Cooper County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 12, 1999 (fieldwork completion date)

Schedule

COOPER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?	_____ yes	__X__ no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	__X__ none reported

Noncompliance material to the financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

Material weakness identified?	_____ yes	__X__ no
Reportable condition identified that is not considered to be a material weakness?	__X__ yes	_____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? __X__ yes _____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

12.112	Payments to States in Lieu of Real Estate Taxes
39.003	Donation of Federal Surplus Personal Property
93.563	Child Support Enforcement
93.994	Comprehensive Family Planning Services

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-1. Schedule of Expenditures of Federal Awards

Federal Grantor: U.S. Department of Agriculture
Pass-Through Grantor: Department of Health
Federal CFDA Number: 10.557
Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number: ER0045-7126, ER0045-8126, & ER0045-9126
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Defense
Pass-Through Grantor: Office of Administration
Federal CFDA Number: 12.112
Program Title: Payments to States in Lieu of Real Estate Taxes
Pass-Through Entity Identifying Number: Not Applicable
Award Year: 1998
Questioned Costs: Not Applicable

Federal Grantor: General Services Administration

Pass-Through Grantor: Office of Administration
Federal CFDA Number: 39.003
Program Title: Donation of Federal Surplus Personal Property
Pass-Through Entity
Identifying Number: Not Applicable
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: Department of Social Services
Federal CFDA Number: 93.563
Program Title: Child Support Enforcement
Pass-Through Entity
Identifying Number: Not Applicable
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: Department of Social Services
Federal CFDA Number: 93.994
Program Title: Comprehensive Family Planning Services
Pass-Through Entity
Identifying Number: ERO175-7126FP, ERO175-8126FP, & ERO175-9126FP
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have a procedure in place to track federal financial assistance for the preparation of the SEFA. The county's Schedule of Federal Awards contained numerous errors and omissions. For example, expenditures related to federal grants received through the county nursing service and also the prosecuting attorney for child support enforcement were not included on the schedules. In addition, several federal grant expenditures were overstated as a result of the county including matching funds in the expenditure totals.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will implement this recommendation. Each official and department will be requested to provide information regarding federal programs and the federal dollars expended by the county. This should result in a more complete and accurate Schedule of Expenditures of Federal Awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

COOPER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

COOPER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

COOPER COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Cooper County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 12, 1999. We also have audited the compliance of Cooper County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 12, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Cooper County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. County Budgets

   Budgets were not prepared for some county funds. In addition, due to inadequate monitoring efforts, disbursements were made in excess of approved budgeted amounts for some funds.

2. Procurement Procedures

   The county contracted with an architect and bond underwriter for the design, construction administration, and financing of a new law enforcement center. Although the County Commission solicited proposals from and interviewed other firms, documentation of the decision making process was not adequate.

3. Personnel Policies and Procedures

   A written policy regarding overtime and compensatory time has not been adopted for the Sheriff's department. Several deputies were allowed to take compensatory time off in excess of compensatory time earned. Time sheets for deputies do not indicate the Sheriff's approval and are not submitted to the County Clerk's office.

This Letter on Other Matters is intended for the information of the management of Cooper County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

WARREN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-89
September 30, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Warren, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Warren County included additional areas of county operations, as well as the elected county officials.

< The County Clerk does not perform a reconciliation between the county's accounting system and the County Treasurer's records to ensure accuracy. State law requires the County Clerk to maintain accounts with the County Treasurer.

< The county does not have a procedure in place to adequately track federal assistance. The county prepared a Schedule of Expenditure of Federal Awards (SEFA); however, not all federal programs were included. Failure to prepare an accurate SEFA could ultimately result in future reductions of federal funds for the county.

< The county contracts for administrative services for various programs with Booneslick Regional Planning Commission (BRPC). Program monies are deposited to the bank account maintained by BRPC. The planning commission prepares the checks and the Presiding Commissioner and County Clerk sign the checks. State law requires all monies received on behalf of the county to be in the custody of the County Treasurer and disbursed through the county's expenditure system.

The county's personnel manual is not comprehensive and is not provided to employees unless requested. Reimbursement claims for one grant program were not submitted timely and improvements were suggested in controls and procedures regarding the county's financial statements and expenditure and budgetary procedures. It was also noted that collateral securities were not adequate to cover Senate Bill 40 Board monies.

<u>Copies of the audit are available upon request</u>.

WARREN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Warren County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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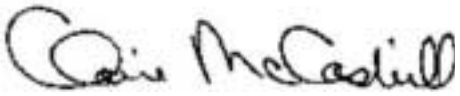
Warren County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 10, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Warren County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 10, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the special-purpose financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Warren County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Warren County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions

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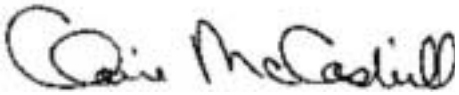
involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Warren County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 10, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	376,296	1,913,674	1,855,029	434,941
Special Road and Bridge		181,397	1,466,977	1,077,243	571,131
Assessment		1,112	254,640	245,938	9,814
Law Enforcement Training		6,627	11,911	9,863	8,675
Prosecuting Attorney Training		2,604	2,304	1,359	3,549
Law Enforcement Trust		-724	1,939,746	1,868,512	70,510
Capital Improvements		660,554	1,170,110	1,180,720	649,944
Senate Bill 40 Board		100,109	314,587	312,357	102,339
Recorder's User Fees		35,954	18,943	20,127	34,770
Prosecuting Attorney Delinquent Tax		9,247	1,905	147	11,005
Prosecuting Attorney Bad Check		35,151	16,525	14,418	37,258
Sheriff's Civil Fees		7,058	32,746	36,410	3,394
Circuit Clerk Interest		18,124	8,442	321	26,245
Associate Circuit Division Interest		5,748	4,621	2,969	7,400
Sheriff's Forfeiture		398	25	0	423
Prosecuting Attorney's Forfeiture		2,745	209	0	2,954
Domestic Violence		0	2,654	2,654	0
Road and Bridge Capital Improvements		0	50,000	0	50,000
CDBG		0	73,049	73,049	0
Law Library		1,552	11,893	7,917	5,528
RADE		-1,605	1,659	0	54
DARE		2,335	5,791	500	7,626
Family Access		0	25	0	25
Total	$	1,444,682	7,302,436	6,709,533	2,037,585

The accompanying Notes to the Financial Statements are an integral part of this statement.

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Exhibit A-2

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 329,458	1,804,810	1,757,972	376,296
Special Road and Bridge	164,188	1,201,808	1,184,599	181,397
Assessment	35,636	235,049	269,573	1,112
Law Enforcement Training	3,297	10,747	7,417	6,627
Prosecuting Attorney Training	2,015	3,126	2,537	2,604
Law Enforcement Trust	14,254	1,443,602	1,458,580	-724
Capital Improvements	377,673	891,689	608,808	660,554
Senate Bill 40 Board	113,572	249,503	262,966	100,109
Recorder's User Fees	42,979	16,373	23,398	35,954
Prosecuting Attorney Delinquent Tax	6,880	2,367	0	9,247
Prosecuting Attorney Bad Check	22,078	16,518	3,445	35,151
Sheriff's Civil Fees	0	14,483	7,425	7,058
Circuit Clerk Interest	16,416	7,127	5,419	18,124
Associate Circuit Division Interest	14,390	5,713	14,355	5,748
Sheriff's Forfeiture	370	28	0	398
Prosecuting Attorney's Forfeiture	0	2,745	0	2,745
Domestic Violence	0	2,795	2,795	0
CDBG	520	832	1,352	0
FEMA	1,032	21,800	22,832	0
EDA Grant	21,600	500,822	522,422	0
Law Library	1,716	7,460	7,624	1,552
RADE	0	34,938	36,543	-1,605
DARE	0	2,449	114	2,335
Total	$ 1,168,074	6,476,784	6,200,176	1,444,682

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 222,766	223,851	1,085	191,380	199,258	7,878
Sales taxes	875,000	882,085	7,085	835,546	837,636	2,090
Intergovernmental	177,175	145,279	-31,896	200,600	159,092	-41,508
Charges for services	522,600	553,181	30,581	553,000	523,469	-29,531
Interest	25,000	26,325	1,325	20,000	29,921	9,921
Other	61,000	82,953	21,953	31,900	55,434	23,534
Total Receipts	1,883,541	1,913,674	#VALUE!	1,832,426	1,804,810	#VALUE!
DISBURSEMENTS						
County Commission	73,880	68,310	5,570	72,030	67,272	4,758
County Clerk	127,220	105,723	21,497	131,506	112,607	18,899
Elections	65,500	43,100	22,400	15,700	6,475	9,225
Buildings and grounds	199,000	153,444	45,556	139,650	43,514	96,136
County Treasurer	28,864	24,768	4,096	28,582	24,070	4,512
County Collector	139,441	131,530	7,911	118,747	117,056	1,691
Ex Officio Recorder of Deeds	59,881	52,459	7,422	33,642	47,738	-14,096
Circuit Clerk	18,030	16,286	1,744	15,901	12,270	3,631
Associate Circuit Court	30,501	26,164	4,337	32,575	29,359	3,216
Court administration	7,800	4,673	3,127	11,900	3,942	7,958
Public Administrator	13,302	11,803	1,499	14,400	20,141	-5,741
Sanitation Officer	87,950	66,661	21,289	58,152	52,239	5,913
Prosecuting Attorney	206,641	189,588	17,053	199,742	197,249	2,493
Juvenile Officer	162,907	160,867	2,040	156,528	140,026	16,502
County Coroner	23,812	23,182	630	19,008	22,776	-3,768
Court Reporter	1,140	330	810	750	362	388
County Nurse	127,796	117,884	9,912	146,024	121,415	24,609
Emergency Fund	60,000	0	60,000	55,000	24,220	30,780
Surveyor	1,300	1,436	-136	3,650	569	3,081
Emergency Manager	5,320	5,122	198	4,800	4,825	-25
Planning and Zoning	68,587	86,563	-17,976	72,137	50,619	21,518
Administration	101,516	91,978	9,538	63,675	52,657	11,018
Legal and professional services	60,000	32,110	27,890	75,000	31,206	43,794
Extension council	28,000	28,000	0	27,996	26,825	1,171
Insurance and bonds	45,000	28,048	16,952	20,000	30,040	-10,040
Transfers out	445,140	385,000	60,140	752,050	518,500	233,550
Total Disbursements	2,188,528	1,855,029	333,499	2,269,145	1,757,972	511,173
RECEIPTS OVER (UNDER) DISBURSEMENTS	-304,987	58,645	#VALUE!	-436,719	46,838	#VALUE!
CASH, JANUARY 1	376,436	376,296	-140	329,458	329,458	0
CASH, DECEMBER 31	$ 71,449	434,941	#VALUE!	-107,261	376,296	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 430,025	470,185	40,160	443,483	427,426	-16,057
Intergovernmental	896,500	956,259	59,759	895,040	735,778	-159,262
Interest	15,000	27,641	12,641	20,000	16,046	-3,954
Other	5,000	12,892	7,892	5,000	22,558	17,558
Total Receipts	1,346,525	1,466,977	120,452	1,363,523	1,201,808	-161,715
DISBURSEMENTS						
Salaries	200,000	161,857	38,143	185,000	159,695	25,305
Employee fringe benefits	52,000	37,488	14,512	52,500	36,159	16,341
Supplies	54,500	29,234	25,266	49,500	33,469	16,031
Insurance	14,000	12,960	1,040	14,000	12,089	1,911
Road & bridge materials	90,000	66,134	23,866	78,000	78,740	-740
Equipment repairs	40,000	23,306	16,694	55,000	40,365	14,635
Equipment purchases	250,000	239,461	10,539	220,000	160,568	59,432
Hired machinery	40,000	31,483	8,517	60,000	55,258	4,742
Other	25,000	11,160	13,840	10,000	8,366	1,634
Road oil	200,000	194,198	5,802	250,000	192,438	57,562
Gravel	250,000	181,437	68,563	150,000	193,846	-43,846
Flood damage road repair	0	0	0	92,000	100,007	-8,007
New bridges	100,000	38,525	61,475	170,000	113,599	56,401
Transfers out	50,000	50,000	0	0	0	0
Total Disbursements	1,315,500	1,027,243	288,257	1,386,000	1,184,599	201,401
RECEIPTS OVER (UNDER) DISBURSEMENTS	31,025	439,734	408,709	-22,477	17,209	39,686
CASH, JANUARY 1	181,397	181,397	0	163,997	164,188	191
CASH, DECEMBER 31	$ 212,422	621,131	408,709	141,520	181,397	39,877

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 253,755	244,833	-8,922	230,000	197,911	-32,089
Interest	2,500	2,293	-207	1,500	2,850	1,350
Other	6,000	7,514	1,514	4,500	5,788	1,288
Transfers in	45,140	0	-45,140	52,050	28,500	-23,550
Total Receipts	307,395	254,640	-52,755	288,050	235,049	-53,001
DISBURSEMENTS						
Assessor	303,776	245,938	57,838	306,050	269,573	36,477
Total Disbursements	303,776	245,938	57,838	306,050	269,573	36,477
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,619	8,702	5,083	-18,000	-34,524	-16,524
CASH, JANUARY 1	1,112	1,112	0	35,636	35,636	0
CASH, DECEMBER 31	$ 4,731	9,814	5,083	17,636	1,112	-16,524

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,000	11,514	1,514	10,000	10,494	494
Interest	250	397	147	275	253	-22
Total Receipts	10,250	11,911	1,661	10,275	10,747	472
DISBURSEMENTS						
Sheriff	15,000	9,863	5,137	12,000	7,417	4,583
Total Disbursements	15,000	9,863	5,137	12,000	7,417	4,583
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,750	2,048	6,798	-1,725	3,330	5,055
CASH, JANUARY 1	6,627	6,627	0	3,297	3,297	0
CASH, DECEMBER 31	$ 1,877	8,675	6,798	1,572	6,627	5,055

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,000	2,133	-867	4,000	2,967	-1,033
Interest	100	171	71	325	159	-166
Total Receipts	3,100	2,304	-796	4,325	3,126	-1,199
DISBURSEMENTS						
Prosecuting Attorney	4,200	1,359	2,841	6,300	2,537	3,763
Total Disbursements	4,200	1,359	2,841	6,300	2,537	3,763
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,100	945	2,045	-1,975	589	2,564
CASH, JANUARY 1	2,249	2,604	355	2,015	2,015	0
CASH, DECEMBER 31	$ 1,149	3,549	2,400	40	2,604	2,564

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales Tax	$ 881,280	891,840	10,560	835,546	840,114	4,568
Intergovernmental	409,440	172,980	-236,460	40,000	37,278	-2,722
Charges for services	475,000	397,447	-77,553	0	210	210
Interest	3,500	4,868	1,368	3,500	3,615	115
Transfers in	400,000	385,000	-15,000	700,000	490,000	-210,000
Other	107,200	87,611	-19,589	75,000	72,385	-2,615
Total Receipts	2,276,420	1,939,746	-336,674	1,654,046	1,443,602	-210,444
DISBURSEMENTS						
Sheriff	1,088,882	996,152	92,730	882,877	894,157	-11,280
Jail	1,068,951	872,360	196,591	757,832	564,423	193,409
Total Disbursements	2,157,833	1,868,512	289,321	1,640,709	1,458,580	182,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	118,587	71,234	-47,353	13,337	-14,978	-28,315
CASH, JANUARY 1	-724	-724	0	14,445	14,254	-191
CASH, DECEMBER 31	$ 117,863	70,510	-47,353	27,782	-724	-28,506

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	$ 886,575	909,799	23,224	835,546	842,531	6,985
Interest	20,000	29,311	9,311	14,500	24,721	10,221
Loan proceeds	0	221,000	221,000	0	0	0
Other	0	10,000	10,000	0	24,437	24,437
Total Receipts	906,575	1,170,110	263,535	850,046	891,689	41,643
DISBURSEMENTS						
Equipment	124,000	322,512	-198,512	55,000	850	54,150
Bond principal and interest payments	586,000	540,485	45,515	564,200	557,918	6,282
Capital construction	293,000	251,746	41,254	331,000	49,120	281,880
Loan payment	75,000	65,977	9,023	0	0	0
Transfers out	0	0	0	0	920	-920
Total Disbursements	1,078,000	1,180,720	-102,720	950,200	608,808	341,392
RECEIPTS OVER (UNDER) DISBURSEMENTS	-171,425	-10,610	160,815	-100,154	282,881	383,035
CASH, JANUARY 1	660,554	660,554	0	377,673	377,673	0
CASH, DECEMBER 31	$ 489,129	649,944	160,815	277,519	660,554	383,035

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 279,159	299,381	20,222	201,731	237,593	35,862
Loan repayments	5,000	5,000	0	6,000	7,000	1,000
Interest	4,000	5,401	1,401	0	4,910	4,910
Other	9,360	4,805	-4,555	0	0	0
Total Receipts	297,519	314,587	17,068	207,731	249,503	41,772
DISBURSEMENTS						
Programs	307,163	278,742	28,421	256,474	257,273	-799
Mileage and training	9,000	3,086	5,914	2,000	2,690	-690
Office expenditures	0	2,529	-2,529	750	1,177	-427
Building maintenance	0	0	0	8,000	1,660	6,340
Equipment for not-for-profit organization	0	28,000	-28,000	0	0	0
Other	0	0	0	54,079	166	53,913
Total Disbursements	316,163	312,357	3,806	321,303	262,966	58,337
RECEIPTS OVER (UNDER) DISBURSEMENTS	-18,644	2,230	20,874	-113,572	-13,463	100,109
CASH, JANUARY 1	82,428	100,109	17,681	113,572	113,572	0
CASH, DECEMBER 31	$ 63,784	102,339	38,555	0	100,109	100,109

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 14,000	16,854	2,854	14,000	14,300	300
Interest	2,000	2,089	89	1,200	2,073	873
Total Receipts	16,000	18,943	2,943	15,200	16,373	1,173
DISBURSEMENTS						
Ex Officio Recorder of Deeds	24,300	20,127	4,173	28,000	23,398	4,602
Total Disbursements	24,300	20,127	4,173	28,000	23,398	4,602
RECEIPTS OVER (UNDER) DISBURSEMENTS	-8,300	-1,184	7,116	-12,800	-7,025	5,775
CASH, JANUARY 1	35,954	35,954	0	42,029	42,979	950
CASH, DECEMBER 31	$ 27,654	34,770	7,116	29,229	35,954	6,725

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 2,000	1,306	-694	1,200	1,830	630
Interest	500	599	99	400	537	137
Total Receipts	2,500	1,905	-595	1,600	2,367	767
DISBURSEMENTS						
Prosecuting Attorney	7,500	147	7,353	3,700	0	3,700
Total Disbursements	7,500	147	7,353	3,700	0	3,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,000	1,758	6,758	-2,100	2,367	4,467
CASH, JANUARY 1	9,247	9,247	0	6,880	6,880	0
CASH, DECEMBER 31	$ 4,247	11,005	6,758	4,780	9,247	4,467

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 15,000	14,478	-522	12,000	14,514	2,514
Interest	1,500	2,015	515	1,500	2,004	504
Other	0	32	32	0	0	0
Total Receipts	16,500	16,525	25	13,500	16,518	3,018
DISBURSEMENTS						
Prosecuting Attorney	33,117	14,418	18,699	9,150	3,445	5,705
Total Disbursements	33,117	14,418	18,699	9,150	3,445	5,705
RECEIPTS OVER (UNDER) DISBURSEMENTS	-16,617	2,107	18,724	4,350	13,073	8,723
CASH, JANUARY 1	35,151	35,151	0	22,078	22,078	0
CASH, DECEMBER 31	$ 18,534	37,258	18,724	26,428	35,151	8,723

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL FEES FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	36,000	32,014	-3,986
Interest		1,300	732	-568
Total Receipts		37,300	32,746	-4,554
DISBURSEMENTS				
Sheriff		36,000	36,410	-410
Total Disbursements		36,000	36,410	-410
RECEIPTS OVER (UNDER) DISBURSEMENTS		1,300	-3,664	-4,964
CASH, JANUARY 1		7,058	7,058	0
CASH, DECEMBER 31	$	8,358	3,394	-4,964

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 1,000	8,442	7,442	2,000	7,127	5,127
Total Receipts	1,000	8,442	7,442	2,000	7,127	5,127
DISBURSEMENTS						
Circuit Clerk	11,000	321	10,679	7,500	5,419	2,081
Total Disbursements	11,000	321	10,679	7,500	5,419	2,081
RECEIPTS OVER (UNDER) DISBURSEMENTS	-10,000	8,121	18,121	-5,500	1,708	7,208
CASH, JANUARY 1	16,901	18,124	1,223	16,416	16,416	0
CASH, DECEMBER 31	$ 6,901	26,245	19,344	10,916	18,124	7,208

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 3,400	4,621	1,221	5,000	5,713	713
Total Receipts	3,400	4,621	1,221	5,000	5,713	713
DISBURSEMENTS						
Associate Circuit Judge	5,500	2,969	2,531	11,500	14,355	-2,855
Total Disbursements	5,500	2,969	2,531	11,500	14,355	-2,855
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,100	1,652	3,752	-6,500	-8,642	-2,142
CASH, JANUARY 1	5,748	5,748	0	14,390	14,390	0
CASH, DECEMBER 31	$ 3,648	7,400	3,752	7,890	5,748	-2,142

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff's Civil Fees Fund	1997
Sheriff's Forfeiture Fund	1998 and 1997
Prosecuting Attorney Forfeiture Fund	1998 and 1997
Domestic Violence Fund	1998 and 1997
Road and Bridge Capital Improvements Fund	1998
Law Library Fund	1998 and 1997
RADE Fund	1998 and 1997
DARE Fund	1998 and 1997
Family Access Fund	1998

CDBG Fund	1998 and 1997
FEMA Fund	1997
EDA Grant Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Capital Improvements Fund	1998
Sheriff's Civil Fees Fund	1998
Associate Circuit Division Interest Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1997.

However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
CDBG Fund	1998 and 1997
FEMA Fund	1997
EDA Grant Fund	1997
Law Library Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political

subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Senate Bill 40 Board of Directors' deposits at December 31, 1998 and 1997 were entirely covered by federal depositary insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue,* 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $370,405 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $195,332. As of December 31, 1998, $73,247 remains to be paid.

Supplementary Schedule

Schedule

WARREN COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U.S. DEPARTMENT OF COMMERCE			
	Direct Program -			
11.3	Economic Development - Grants For Public Works and Infrastructure Development	N/A	$ 0	248,311
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state Department of Public Safety:			
16.6	National Criminal History Record Improvement Prog (NCHIP)	95-RV-RX-R011(45	4,137	2,117
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	97ND011 93DR035	73,049	1,352
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	106,739	92,672
16.unknown	Equitable Sharing of Seized and Forfeited Property	MO110013A	36	2,733
	Passed through:			
	State Department of Public Safety -			
16.6	Byrne Formula Grant Program	96NCD20066	32,565	30,701
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	900	2,487
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO 109 (7) BRO 109 (8)	12,175 26,350	86,877 0
	Program Total		38,525	86,877
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			

39.0	Donation of Federal Surplus Personal Property	N/A	2,132	2,525
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.5	Emergency Management - State and Local	0995DRMO		
	Assistance	1054DRMO	0	54,822
::				
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	ERO062-7210	4,800	3,783
		ERO146-8210GPH		
		PG0064-8210IAP		
		PG0064-9210IAP		
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	16,111	17,837
	Department of Health -			
93.9	Cooperative Agreements for State-Based	ERO161-0016	2,177	8,115
	Comprehensive Breast and Cervical Cancer			
	Early Detection Programs			
94.0	Maternal and Child Health Services	ER0146-7210	11,388	13,601
	Block Grant to the States	ERO146-8210MCH		
		ERO146-9210MCH		
	Total Expenditures of Federal Awards		$ 292,559	567,933

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

WARREN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Warren County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Warren County, Missouri

Compliance

We have audited the compliance of Warren County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Warren County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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with OMB Circular A-133 and which is described in the Schedule of Findings and Questioned Costs as finding number 98-2.

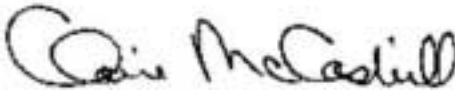
Internal Control Over Compliance

The management of Warren County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Warren County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 10, 1999 (fieldwork completion date)

Schedule

WARREN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	X yes	no
Reportable condition identified that is not considered to be a material weakness?	yes	X none reported
Noncompliance material to the financial statements noted?	yes	X no

Federal Awards

Internal control over major programs:		
Material weakness identified?	yes	X no
Reportable condition identified that is not considered to be material weakness?	X yes	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	X yes	no

Identification of major program(s):

CFA or Other Identifying Number	Program Title
11.300	Economic Development - Grants for Public Works and Infrastructure Development

16.710 Public Safety Partnership and Community Policing ("COPS") Grants
Dollar threshold used to distinguish between Type A
and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X___ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1.	**Revenues Reconciliation**

The County Treasurer records monies received on a one-write receipt ledger and enters the receipts onto the county's computer system. The County Clerk does not receive copies of the receipt slips or perform a reconciliation between the manual and computer systems to ensure accuracy. Failure to reconcile revenues increases the risk that errors or irregularities will not be detected on a timely basis. In addition, Section 51.150 RSMo 1994, requires the County Clerk to maintain accounts with the County Treasurer.

WE RECOMMEND the County Clerk perform a monthly reconciliation of revenues with the County Treasurer.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated she will implement the recommendation. The County Treasurer will continue to enter revenues into the system and the County Clerk will perform a monthly reconciliation of revenues with the County Treasurer. The County Clerk is the contact person and the anticipated date of implementation is October 1, 1999.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-2.	**Schedule of Expenditures of Federal Awards**

Federal Grantor: U.S. Department of Commerce
Pass- Through Grantor: Not Applicable
Federal CFDA Number: 11.300
Program Title: Economic Development - Grants for Public Works and Infrastructure Development

Pass- Through Entity
Identifying Number: Not Applicable
Award Year: 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Justice
Pass- Through Grantor: Not Applicable
Federal CFDA Number: 16.710
Program Title: Public Safety Partnership and Community Policing ("Cops") Grants
Pass- Through Entity
Identifying Number: Not Applicable
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have a procedure in place to adequately track federal assistance for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 1998 and 1997; however, the schedule did not include seven of the fourteen programs the county was involved in during 1997, and four of the twelve programs the county was involved in during 1998. In addition, the information presented by the County Clerk for several of the programs presented did not agree with the county's expenditure records.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will implement the recommendation. The County Clerk is the contact person and the anticipated date of implementation is January 2000.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

WARREM COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

WARREN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

2. Federal Financial Assistance

A.

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Missouri Department of Transportation
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity Identifying Number:	BRO109(6) BRO109(7)
Award Year:	1995 and 1996
Questioned Costs:	Not Applicable

The county had not established cash management procedures to ensure the minimum time elapsed between its receipt of federal project monies and the disbursement of such monies to contractors.

Recommendation:

The County Commission consult with the grantor agencies. In addition, the County Commission should:

A. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

Status:

A. Implemented. The BRO monies received during this audit period were received on a reimbursement basis.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

WARREN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 10, 1999. We also have audited the compliance of Warren County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 10, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Emergency Services Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These findings resulted from our audits of the special-purpose financial statements of Warren County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. County Controls and Procedures

A. The County Commission obtained professional services such as legal services and investment services. There is no documentation of the discussion of which firms to use or the criteria on which the County Commission based its selection. In addition, the County Commission does not have written contracts for the legal services.

The County Commission should always document the basis for selection of providers of professional services and obtain written contracts to ensure the county is receiving quality service at a reasonable and agreed upon price.

B. The county has a personnel manual; however, it is not provided to employees unless requested. The manual only includes policies related to holiday, vacation, and sick leave. A comprehensive employee manual which summarizes policies can benefit both county officials and employees by providing a basic understanding between management and employees regarding rights and responsibilities. In addition, an employee manual can help ensure that management's policies are fairly and consistently applied to all county employees.

C. The county received monies from the Department of Justice for the Public Safety Partnership and Community Policing ("COPS") grant program to fund the salary and fringe benefits of entry-level officers. The application kit the county used to apply for this grant provides all quarterly claims are required to be submitted within 45 days after the end of each quarter. We reviewed the reimbursement claims prepared by the County Clerk for the two years ended December 31, 1998. We noted only one claim that was submitted within the required time frame of 45 days. In addition, we noted as of June 2, 1999, the County Clerk had not yet submitted a reimbursement claim for the last quarter in 1998. Failure to comply with program's requirements could result in loss of revenues.

D. Some federal grants received on behalf of the county and matching funds provided by other entities were not maintained in a bank account controlled by the County Treasurer.

The county contracts for administrative services for various programs with Booneslick Regional Planning Commission (BRPC). Program monies are deposited to the bank account maintained by the BRPC. The BRPC prepares the checks and

the Presiding Commissioner and County Clerk sign the checks. The Presiding Commissioner and County Clerk obtain and review supporting documentation for the expenditures. Monies handled by the BRPC totaled approximately $73,000 and $540,000 in 1998 and 1997, respectively.

All monies received on behalf of the county should be in the custody of the County Treasurer and disbursed through the county's expenditure system. Section 54.140, RSMo 1994, provides that it shall be the duty of the county treasurer to separate and divide the revenues of the county as they come into his hands and to pay out the revenues on warrants issued by the county commission. In addition, Section 251.300, RSMo, 1994, states that the function of the regional planning commission shall be solely advisory to the local governments and local government officials.

Conditions similar to A, B and D were noted in our prior report.

WE RECOMMEND the County Commission:

A. Document the basis for selection of providers of professional services and enter into written agreements for such services.

B. Develop a comprehensive employee manual to be distributed to all county elected officials and employees.

C. And the County Clerk submit the COPS grant reimbursement claims in a timely manner.

D. Ensure all county funds are held in the custody of the County Treasurer and are disbursed through the county's expenditure system.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They have interviewed providers for professional services and will try to do a better job of documenting the criteria used for the selection process. In addition, they will consider whether written agreements are necessary.

B. The updated personnel manual has been approved and is at the printer. It will be distributed with September paychecks and is effective September 30, 1999.

C. The 1998 fourth quarter and the 1999 first and second quarters reimbursement claims have been submitted. The County Clerk indicated she will try to submit future claims in a timely manner.

D. They will investigate this situation.

2. Budgetary Practices and Published Financial Statements

A. Formal budgets were not prepared or obtained for various county funds (including funds in the custody of the regional planning commission) for the years ended December 31, 1998, and 1997.

Chapter 50, RSMo 1994, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the county commission is able to more effectively evaluate all county financial resources. To be of maximum benefit to the county and its taxpayers, a complete and detailed budget document is needed.

B. The annual published financial statements of the county did not include the financial activity of some county funds in the custody of the regional planning commission as required. Section 50.800, RSMo 1994, provides that the financial statements show receipts, or revenues, disbursements, or expenditures and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

C. Actual expenditures exceeded approved budgeted expenditures for the Capital Improvements Fund by $102,720 and the Sheriff's Civil Fees Fund by $410 during the year ended December 31, 1998. The over expenditure of the Capital Improvements Fund occurred because the county purchased jail kitchen equipment and an elevator which they funded through a bank loan. The county planned for the bank to write a check for payment of the equipment directly to the vendor; however, the bank gave the funds to the county and the county paid the vendor causing actual disbursements to exceed budgeted disbursements.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2nd 246(1954), that strict compliance with county budget laws is required of county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cumulative Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the County Commission:

A. Ensure budgets are prepared or obtained for all county funds.

B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

C. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

AUDITEE'S RESPONSE

The County Commission indicated they will try to implement the recommendations.

3. Allocated Distributions

The County Clerk did not correctly apportion 1998 railroad and utility taxes to the school districts. While calculating the apportionment of railroad and utility taxes the County Clerk incorrectly rounded some of the initial calculations. As a result, the various school districts were over or underpaid as follows:

School District	Amount Under (Over) Paid
Washington R-1	$ (532)
Gasconade County R-1	5013
Lincoln County R-3	(34)
Montgomery County R-2	(58)
Wright City R-2	(1377)
Warren County R-3	(3012)

WE RECOMMEND the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

AUDITEE'S RESPONSE

The County Clerk indicated she will implement the recommendation.

4. Property Tax Controls and Procedures

The County Clerk does not generate or verify the back tax books. A review should include verification of individual entries in the back tax book and footing total tax book charges. The County Clerk is responsible for the accuracy of the personal and real estate back tax books and the amounts with which the County Collector is charged. Failure to perform adequate reviews of the tax books could result in an overstatement of delinquent taxes not being detected. Section 140.050, RSMo 1994, requires the county clerk to make the back tax book and charge the county collector with the aggregate amount of taxes, interest, and County Clerk's fees contained in the back tax books.

WE RECOMMEND the County Clerk generate or foot the back tax books and formally verify individual entries to ensure the accuracy of the back tax books.

AUDITEE'S RESPONSE

The County Clerk indicated she will implement the recommendation.

5. Senate Bill 40 Board's Collateral Security

Collateral securities were not pledged by the Senate Bill 40 (SB40) Board's depositary bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. During January 1999, 1998, and 1997, the SB40 Board's bank balance exceeded FDIC coverage by approximately $180,000, $200,000, and $190,000, respectively.

Section 110.020, RSMo 1994, requires the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of bank failure.

A similar condition was noted in our prior report.

WE RECOMMEND the Senate Bill 40 Board of Directors ensure collateral securities are pledged for all deposits in excess of FDIC coverage.

AUDITEE'S RESPONSE

The Senate Bill 40 Board of Directors will contact the bank in December and arrange for the bank to have the papers for collateralization completed prior to the deposit being made, thus assuring that the monies over $100,000 will be collateralized correctly.

This report is intended for the information of the management of Warren County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

WARREN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Warren County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. Finding number 2.A is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. County Controls and Procedures

   A. We noted the following concerns regarding professional services obtained by the county:

      1) The County Commission contracted with an investment firm to be the bonding agent for revenue bonds related to the justice center. The County Commission indicated they discussed the project with representatives of investment firms; however, there was no documentation of the discussions or the criteria on which they based their selection.

      2) The County Commission solicited proposals from several architects for the justice center project and selected an architect which subcontracted the designing of the jail to another architect. The lead architect resigned from the project in August 1994. No documentation was retained to support the original selection process or to support the decision to contract with the second architect.

      3) The County Commission obtained legal services from law firms for various issues and lawsuits. There was no evidence that the County Commission solicited proposals from various law firms.

   B. The county did not maintain fuel usage logs and no reconciliation was performed between fuel purchased for and used from the county's fuel tanks.

   C. The county had a personnel manual; however, it was not made available to employees. The manual only included policies related to holiday, vacation, and sick leave.

   D. The Sheriff and several deputies were issued credit cards in the county's name to use for various law enforcement expenditures. We noted credit card expenditures for which supporting documentation was not submitted to the County Clerk. In addition, the county did not have a formal written policy for the use of credit card purchases.

   E. The county's depositary agreement did not indicate if the County Collector's accounts were included. The amount of collateral securities pledged by the county's depositary

banks at January 28, 1997, was insufficient to cover monies in the custody of the County Treasurer and County Collector.

F. The county did not have a formal contingency plan for the computer system.

Recommendation:

The County Commission:

A. Solicit and document proposals for professional services. Written agreements should be entered into and supporting documentation should be reviewed for propriety before payments are made for services.

B. Require records of fuel usage be maintained and reconciled to the amount of fuel purchased and on hand. Any significant differences should be investigated and resolved.

C. Develop a comprehensive employee manual to be distributed to all county elected officials and employees.

D. Require all credit card expenditures be supported by receipts or vendor-provided invoices which contain an adequate description of the goods or services received and establish a written credit card usage policy.

E. Ensure collateral securities pledged by the depositary banks are sufficient to protect monies at all times. In addition, the County Collector's accounts should be specifically included in the depositary agreement.

F. Seek arrangements of alternative data processing equipment for use during emergency situations.

Status:

A&C. Not implemented. See MAR No. 1.

B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

D. Implemented in 1998.

E. Partially implemented. The County Treasurer does monitor account balances; however, due to a misunderstanding, the county's balances were undercollaterized by approximately $1.5 million on January 19, 1999. Collateral securities were sufficient at December 31, 1998 and 1997, and at the highest January 1998 account balance. The County Collector's accounts are not specifically included in the depositary agreement; however, bank personnel indicated all county officials' accounts are covered by the agreement. Although not repeated in the current report, our recommendation remains as stated above.

F. Partially implemented. The County Collector adopted a formal written policy. The County Commission has not made formal arrangements for alternative data processing equipment to be used during emergency situations; however, the County Commission indicated an informal arrangement has been made with an adjoining county. Although not repeated in the current report, our recommendation remains as stated above.

2. Federal Financial Assistance

B. During the two years ended December 31, 1996, the Sheriff's Department received Domestic Cannabis Eradication/Suppression (Cash Crop) Program funds from the U.S. Department of Justice. One reimbursement for $2,500 had no supporting documentation.

C. The county received monies from the Department of Justice for the COPS Grants program to fund the salary and fringe benefits of an entry-level officer. The county received $2,597 more than the amount to which it was entitled for one reimbursement claim reviewed, resulting in questioned costs.

D. One claim for reimbursement submitted by the Circuit Clerk did not have supporting documentation for postage and copies of $127, resulting in questioned costs from federal funds passed through the state Department of Social Services (DSS) for the Child Support Enforcement (Title IV-D) Program

E. A review of the time sheets maintained by the officer working on the DARE program indicated that during the period July 1, 1994 to May 31, 1995, approximately 53 percent of the officer's time was spent on DARE activities; however, 100 percent of funding provided was claimed for reimbursement.

As a result, DARE reimbursements of $6,580 that were spent on non-DARE activities have been questioned. In addition, $15,276 of previously questioned costs have not been resolved.

F. The county did not have a drug-free workplace policy or awareness program for its employees as required by the Drug-Free Workplace Act as a condition of receiving direct federal funds.

G. Some federal grants received by the county were not adequately monitored by the County Commission, nor were they maintained in a bank account controlled by the County Treasurer.

The county contracted for administrative services for various programs with Booneslick Regional Planning Commission (BRPC). Program monies received by the county from the state were electronically transferred to the bank account maintained by the BRPC. The BRPC prepared the checks and the Presiding Commissioner and County Clerk signed the checks. The Presiding Commissioner and County Clerk indicated they did not review supporting documentation for the expenditures.

Recommendation:

The County Commission consult with the grantor agencies to resolve the questioned costs. In addition, the County Commission should:

B. Ensure that all future expenditures of the Cash Crop program are supported by source documentation.

C. Base future reimbursement requests on actual costs. In addition, other claims should be reviewed to determine whether additional reimbursements exceeded actual costs paid.

D. Require the Circuit Clerk to retain supporting documentation for all reimbursement claims filed. In addition, other claim forms should be reviewed to determine whether there are additional claims for reimbursements of postage and copies which should be resolved with the grantor agency.

E. Ensure salary reimbursements are allocated equitably between the work being performed for federal programs and other projects.

F. Develop a drug-free workplace policy and an awareness program in compliance with federal requirements.

G. Require supporting documentation for all expenditures. In addition, all county funds should be in the custody of the County Treasurer and disbursed through the county's expenditure system.

Status:

B&C. Implemented.

D. Implemented. Documentation for postage expenditures is now maintained.

E. Partially implemented. Warren County no longer receives DARE monies from the Department of Public Safety (DPS). DPS personnel indicated the department is reviewing the situation. Although not repeated in the current report, our recommendation remains as stated above.

F. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

G. Partially implemented. The BRPC still has custody of program monies; however, supporting documentation for expenditures from these funds is reviewed by the Presiding Commissioner. See MAR No. 1.

3. Property Tax Controls and Procedures

A. Controls over property tax additions were not adequate. The County Assessor made changes to the computer property tax data files for additions occurring throughout the year and sent a copy of the addition to the County Clerk. The County Commission did not approve these additions.

B. The County Collector provided the County Clerk with information regarding taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. However, the information was not verified by the County Clerk from aggregate abstracts, court orders, monthly statements of collections and the tax books. In addition, the County Commission did not verify the County Collector's annual settlement.

C. The County Clerk did not verify the back tax books. In addition, the computer program did not generate tax book page or control totals, but only a summary total at the end of each book.

Recommendation:

A. The County Commission work with applicable county officials to establish controls over the property tax additions process that would allow the County Clerk to periodically reconcile all additions to changes made to the property tax records and charge these amounts to the County Collector. In addition, the County Commission should approve the additions.

B. The County Clerk verify the information provided by the County Collector and use this information to verify the County Collector's annual settlement.

C. The County Clerk generate or foot the back tax books and formally verify individual entries to ensure the accuracy of the tax books. The computer program used to generate the tax books should be updated to generate tax book page or control totals so the tax book totals can be more readily verified.

Status:

A. Implemented. The County Commission now approves all additions monthly, and the County Clerk's office reconciles court orders to the County Collector's annual settlement.

B. Partially implemented. The County Clerk does verify the information provided by the County Collector for additions; however, other information is not verified. Although not repeated in the current report, our recommendation remains as stated above.

C. Partially implemented. The computer program does generate page and control totals. However, the County Clerk does not generate or verify the accuracy of the back tax books. See MAR No. 4.

4. Treasurer's Accounting Controls and Procedures

A. Formal bank reconciliations were not prepared on a monthly basis. The County Treasurer did reconcile his semi-annual settlements to bank statements; however, outstanding check lists and details of other reconciling items were not maintained.

B. The County Treasurer accepted cash, checks, and money orders; however, the method of payment was not documented on the one-write receipt ledger.

Recommendation:

A. Ensure formal bank reconciliations are prepared on a monthly basis.

B. Ensure the method of payment is indicated in the accounting records and reconcile the composition of receipts to the composition of deposits.

Status:

Implemented.

5. Senate Bill 40 Board's Controls and Procedures

A. During the year ended December 31, 1996, the SB40 Board paid $15,000 to a NFP for services to promote and/or aid mentally retarded/developmentally disabled persons residing in Warren County for which there was no written agreement.

B. Actual expenditures exceeded approved budgeted expenditures by $1,263 for the year ended December 31, 1995.

C. Collateral securities were not pledged by the SB40 Board's depositary bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

D. The SB40 Board loaned a total of $51,600 interest free to a NFP the board had contracted with to provide county services.

E. Our review of the relationships between the Board and the NFPs revealed the Board and one of the NFPs was not independent of each other.

Recommendations:

A. Obtain written contracts for all services.

B. Refrain from incurring expenditures in excess of budgeted amounts. If it becomes necessary to incur expenditures in excess of the approved budget, the circumstances should be fully documented and the budget properly amended prior to incurring the expenditures.

C. Ensure collateral securities are pledged for all deposits in excess of FDIC coverage.

D. Cease loaning monies in the future and take appropriate action to recover the loan amounts due from the NFP.

E. Review potential conflicts of interest and ensure steps are taken to eliminate conflicts.

Status:

A, B&D. Implemented.

C. Not implemented. See MAR No. 5.

E. Not implemented. The SB40 Board Treasurer is married to the NFP President and the bookkeeper for the SB40 Board is also the executive director for the same NFP. Although not repeated in the current report, our recommendation remains as stated above.

6. Public Administrator's Controls and Procedures

A. The Public Administrator did not retain supporting documentation for some disbursements.

B. Bank reconciliations were not performed monthly.

C. The Public Administrator provided cash to the wards for spending money and personal items without obtaining adequate supporting documentation.

D. During the two years ended December 31, 1996, the Public Administrator sold two cars for two different wards without publicizing or soliciting bids.

Recommendations:

A. Retain supporting documentation for all disbursements.

B. Prepare and retain monthly bank reconciliations for each estate and agree the reconciliations to the accounting records.

C. Obtain receipt slips from the wards when giving them cash for personal use.

D. Publicize or solicit bids for the sale of all assets.

Status:

Implemented.

7. Prosecuting Attorney's Controls and Procedures

Money orders and cashier checks received for administrative fees which are made payable to the County Treasurer are not restrictively endorsed until after they are transmitted to the County Treasurer.

Recommendation:

The Prosecuting Attorney require all money orders and cashier checks be restrictively endorsed immediately upon receipt.

Status:

Implemented.

8. Sheriff's Controls and Procedures

A. The Sheriff's department did not maintain a log for the uniform traffic tickets (UTTs) assigned to various deputies, copies of the tickets issued, or a ticket issuance log listing the ticket number, date issued, violator's name, offense, and disposition.

B. Receipt slips issued by the Sheriff's deputies for monies received were rediform receipts rather than official prenumbered receipt slips.

C. Vehicle mileage logs were not adequately maintained by the Sheriff's office for county-owned patrol cars. In addition, a comparison between fuel usage and actual vendor billings to the county was not always performed.

D. The Sheriff maintained a separate bank account for the personal monies of inmates incarcerated in the Warren County Jail until the jail closed in August 1995. The sheriff did not perform bank reconciliations on the inmate account. The sheriff did not maintain a cash control ledger which included all receipts, disbursements, and a balance for the prisoner account. A subsidiary ledger showing each inmate's balance was not maintained.

Recommendation:

A. Maintain traffic ticket logs accounting for the issuance and ultimate disposition of all traffic tickets and copies of all UTTs issued.

B. Issue official prenumbered receipt slips for all monies received.

C. Establish procedures for maintaining accurate and complete usage logs for all county owned patrol cars and compare expenses billed to the county to the vehicle logs.

D. Maintain a cash control ledger for inmate monies which includes all receipts, disbursements, and a cash balance. A subsidiary ledger which includes receipt and disbursement activity and cash balances for each inmate should also be maintained.

Finally, the cash control ledger and subsidiary ledger should be reconciled to the bank statement on a monthly basis.

Status:

A. Partially implemented. A log of ticket books issued is maintained, and copies are kept of UTT's issued. However, the ultimate disposition is not accounted for. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

D. Partially implemented. Beginning in May of 1998, a running checkbook register balance is now maintained; however, bank reconciliations are not performed on a monthly basis. A subsidiary ledger is maintained for active prisoner balances; however, a subsidiary ledger is not maintained for inactive prisoner accounts. A reconciliation is not performed between the bank account and the subsidiary ledger. Although not repeated in the current report, our recommendation remains as stated above.

9. Planning and Zoning Accounting Controls and Procedures

Accounting duties for the P&Z Office are not adequately segregated.

Recommendation:

The County Commission provide for adequate segregation of duties and the performance of independent reconciliations and reviews of accounting records.

Status:

Partially implemented. Four county employees can receive planning and zoning and sanitation fees. The secretary prepares a report of monies received and the Planning and Zoning Officer reviews and signs the report and turns the monies over to the County Treasurer. However, the person preparing the report has access to monies on hand and no independent reconciliation is performed between receipt slips issued and the report. Although not repeated in the current report, our recommendation remains as stated above.

10. Emergency Services Board Budgetary Practices

Actual expenditures exceeded approved budgeted expenditures by approximately $60,000 for the year ended December 31, 1996.

Recommendation:

The Emergency Services Board refrain from incurring expenditures in excess of budgeted amounts. If it becomes necessary to incur expenditures in excess of the approved budget, the circumstances should be fully documented and the budget properly amended prior to incurring the expenditures.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

WARREN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Warren was named after Joseph Warren, a Revolutionary War patriot. Warren County is a county-organized, third-class county and is part of the Twelfth Judicial Circuit. The county seat is Warrenton.

Warren County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Warren County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 694,036	20	626,684	21
Sales taxes	882,085	26	837,636	28
Federal and state aid	1,101,538	33	894,870	30
Fees, interest, and other	702,992	21	647,428	21
Total	$ 3,380,651	100	3,006,618	100

The following chart shows how Warren County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 1,481,392	50	1,397,921	47
Public safety	373,637	13	360,051	12
Highways and roads	1,077,243	37	1,184,599	41
Total	$ 2,932,272	100	2,942,571	100

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In addition, significant sales tax receipts and capital improvement and law enforcement expenses are accounted for in the Capital Improvements Fund and the Law Enforcement Trust Fund. Receipts

of the Capital Improvements Fund were $1,170,110 and $891,689 and disbursements were $1,180,720 and $608,808 for the years ended December 31, 1998 and 1997, respectively. Receipts of the Law Enforcement Trust Fund were $1,939,746 and $1,443,602 and disbursements were $1,868,512 and $1,458,580 for the years ended December 31, 1998 and 1997, respectively.

The county maintains approximately 52 county bridges and 315 miles of county roads.

The county's population was 9,699 in 1970 and 19,534 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 178.3	169.8	97.6	34.8	14.1
Personal property	53.1	49.4	14.2	8.4	4.5
Railroad and utilities	26.0	25.7	21.6	7.0	4.4
Total	$ 257.4	244.9	133.4	50.2	23.0

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Warren County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .08	.08
Special Road and Bridge Fund*	.18	.18
Senate Bill 40 Board Fund	.12	.12

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

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	Year Ended February 28,	
	1999	1998
State of Missouri	$ 79,157	75,162
General Revenue Fund	233,150	223,723
Special Road and Bridge Fund	481,232	457,558
Assessment Fund	122,232	114,424
Senate Bill 40 Board Fund	303,681	286,736
School districts	8,949,583	8,134,246
Library district	184,137	174,431
Junior College Fund	161,914	155,061
Fire protection districts	635,690	585,295
Ambulance districts	569,064	534,564
Levy districts	168,897	171,120
Cities	110,065	97,174
County Clerk	491	590
County Employees' Retirement	72,415	64,744

Other		1,448	3,472
Commissions and fees:			
General Revenue Fund		195,803	184,246
Total	$	12,268,959	11,262,546

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	92.2 %	91.6 %
Personal property	87.1	88.0
Railroad and utilities	100.0	100.0

Warren County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	none	50
Emergency services		.0050	none	none
Law enforcement services		.0050	none	none
Capital improvements		.0050	2009	none

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

::

Officeholder		1999	1998	1997
County-Paid Officials:				
Walter L. Schirr, Presiding Commissioner	$		19,000	19,000
Arden H. Engelage, Associate Commissioner			19,000	19,000
Frederick G. Vahle, Associate Commissioner			19,000	19,000
Janis Meyer, County Clerk			31,500	31,500
Michael S. Wright, Prosecuting Attorney			36,000	36,000
Michael Baker, Sheriff			37,000	37,000
Gene Cornell, County Treasurer			21,230	21,230
Robert R. Mauzy Sr., County Coroner			6,500	6,500
Eugene Buxton, Public Administrator *			7,960	14,764
Linda Stude, County Collector, year ended February 28,		38,612	38,612	
Michael G. Sutherland, County Assessor **, year ended August 31,			42,400	
Robert G. Aston, County Assessor **, year ended August 31,				33,800
Robert L. Lewis, County Surveyor ***				

* Includes fees received from probate cases.

** Includes $900 annual compensation received from the state.

*** Compensation on a fee basis.

State-Paid Officials:				
Carolyn M. Frick, Circuit Clerk and Ex Officio Recorder of Deeds			28,122	40,176
Jerri Jordan, Circuit Clerk and				

Ex Officio Recorder of Deeds	14,061	
Keith M. Sutherland, Associate Circuit Judge	85,158	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk and Ex Officio Recorder of Deeds	2	4
County Clerk*	3	0
Prosecuting Attorney**	7	0
Sheriff ***	56	0
County Collector****	7	0
County Assessor*	7	0
Associate Division*	1	5
Probate Division	0	1
Road and Bridge	7	0
Health Department*	4	0
Planning and Zoning*****	2	0
Sanitarian*****	3	0
Total	99	10

* Includes one part-time employee.
** Includes two part-time employees.
*** Includes three part-time employees.
**** Includes four part-time employees.
***** Includes secretary that is split between Planning and Zoning and Sanitarian.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Warren County's share of the 12th Judicial Circuit's expenses is 35.85 percent.

The County entered into a lease agreement with the Warren County, Missouri Public Facilities Authority, a not-for-profit corporation on January 1, 1995. The terms of the agreement called for the corporation to issue bonds to be used to construct the Warren County Justice Center and for the bank to lease the justice center back to the county for payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Fund from sales tax revenue. The term bonds portion of the original issue was refinanced in December 1998. The bonds are scheduled to be paid off in 2010. The remaining principal and interest due on the bonds at December 31, 1998, was $7,100,000 and $2,376,521, respectively.

AUDIT REPORT

DADE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-88
September 29, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Dade, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Dade County was a financial and compliance audit of various county operating funds.

< The county overspent its Special Road and Bridge Fund budget in 1998. The audit recommended officials not authorize warrants in excess of budgeted expenditures.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

DADE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Dade County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Dade County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Dade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Dade County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Dade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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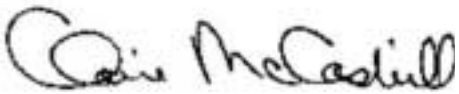
Dade County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 24, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

May 24, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Dade County, Missouri

We have audited the special-purpose financial statements of various funds of Dade County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 24, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Dade County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Dade County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

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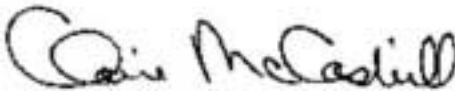
necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Dade County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 24, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

DADE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	463,033	409,298	421,953	450,378
Special Road and Bridge		247,065	943,143	909,826	280,382
Assessment		34,331	74,832	84,820	24,343
Law Enforcement		13,102	396,169	380,953	28,318
Prosecuting Attorney Training		1,401	507	0	1,908
Health Center		87,135	220,801	239,677	68,259
Law Enforcement Training		0	2,702	1,133	1,569
Prosecuting Attorney Bad Check		2,064	5,063	6,394	733
Prosecuting Attorney Delinquent Tax		910	560	0	1,470
Domestic Violence		35	335	0	370
Recorder User Fee		4,047	3,897	3,664	4,280
Law Library		121	2,991	3,103	9
Circuit Clerk Interest		6,180	1,299	279	7,200
Associate Circuit Division Interest		1,175	890	0	2,065
Total	$	860,599	2,062,487	2,051,802	871,284

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DADE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	505,722	435,677	478,366	463,033
Special Road and Bridge		228,021	821,714	802,670	247,065
Assessment		40,642	69,163	75,474	34,331
Law Enforcement		3,998	389,604	380,500	13,102
Prosecuting Attorney Training		998	699	296	1,401
Health Center		106,966	245,823	265,654	87,135
Prosecuting Attorney Bad Check		1,602	4,296	3,834	2,064
Prosecuting Attorney Delinquent Tax		803	107	0	910
Domestic Violence		30	225	220	35
Recorder User Fee		5,388	3,378	4,719	4,047
Law Library		187	2,544	2,610	121
Circuit Clerk Interest		5,070	1,110	0	6,180
Associate Circuit Division Interest		1,013	451	289	1,175
Total	$	900,440	1,974,791	2,014,632	860,599

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DADE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 46,800	52,081	5,281	67,000	46,762	-20,238
Sales taxes	201,789	192,462	-9,327	170,000	205,681	35,681
Intergovernmental	27,211	38,264	11,053	14,740	45,979	31,239
Charges for services	72,500	71,559	-941	77,800	74,519	-3,281
Interest	20,000	27,122	7,122	23,536	17,821	-5,715
Other	7,150	12,810	5,660	9,500	16,645	7,145
Transfers in	14,650	15,000	350	34,500	28,270	-6,230
Total Receipts	390,100	409,298	#VALUE!	397,076	435,677	#VALUE!
DISBURSEMENTS						
County Commission	43,200	42,693	507	43,350	41,783	1,567
County Clerk	37,744	41,875	-4,131	51,894	48,038	3,856
Elections	24,050	25,952	-1,902	10,750	8,500	2,250
Buildings and grounds	47,955	32,488	15,467	56,200	56,102	98
Employee fringe benefits	26,740	23,488	3,252	39,366	40,190	-824
County Treasurer and Ex-Officio Collector	45,871	44,725	1,146	46,807	48,209	-1,402
Circuit Clerk and Ex-Officio Recorder	24,103	22,355	1,748	40,504	33,654	6,850
Associate Circuit Court	18,060	16,647	1,413	21,960	18,713	3,247
Public Administrator	6,220	5,412	808	5,789	6,012	-223
Insurance	14,000	6,432	7,568	9,500	13,318	-3,818
University extension	27,327	24,827	2,500	26,700	34,475	-7,775
LEPC	6,000	11,107	-5,107	5,000	6,482	-1,482
Other	21,550	23,952	-2,402	13,800	7,890	5,910
Transfers out	125,000	100,000	25,000	147,164	115,000	32,164
Emergency Fund	15,000	0	15,000	11,912	0	11,912
Total Disbursements	482,820	421,953	60,867	530,696	478,366	52,330
RECEIPTS OVER (UNDER) DISBURSEMENTS	-92,720	-12,655	#VALUE!	-133,620	-42,689	#VALUE!
CASH, JANUARY 1	463,033	463,033	0	505,722	505,722	0
CASH, DECEMBER 31	$ 370,313	450,378	#VALUE!	372,102	463,033	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DADE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 25,137	39,824	14,687	21,500	21,575	75
Intergovernmental	506,330	880,761	374,431	880,000	780,487	-99,513
Interest	10,000	14,059	4,059	13,291	12,307	-984
Other	6,500	8,499	1,999	5,000	7,345	2,345
Total Receipts	547,967	943,143	395,176	919,791	821,714	-98,077
DISBURSEMENTS						
Salaries	9,000	4,650	4,350	12,500	11,892	608
Employee fringe benefits	694	414	280	1,556	1,107	449
Supplies	2,200	1,660	540	1,300	1,843	-543
Insurance	1,000	0	1,000	3,000	0	3,000
Road and bridge materials	140,000	158,425	-18,425	120,000	181,401	-61,401
Equipment repairs	15,000	0	15,000	1,000	0	1,000
Equipment purchases	1,500	6,535	-5,035	2,500	381	2,119
Construction, repair, and maintenance	27,000	22,006	4,994	465,000	238,975	226,025
Distributions to townships and road districts	400,000	700,934	-300,934	325,000	354,394	-29,394
Other	1,000	202	798	1,000	177	823
Transfers out	13,000	15,000	-2,000	18,000	12,500	5,500
Total Disbursements	610,394	909,826	-299,432	950,856	802,670	148,186
RECEIPTS OVER (UNDER) DISBURSEMENTS	-62,427	33,317	95,744	-31,065	19,044	50,109
CASH, JANUARY 1	247,065	247,065	0	228,021	228,021	0
CASH, DECEMBER 31	$ 184,638	280,382	95,744	196,956	247,065	50,109

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

DADE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 73,660	72,160	-1,500	68,066	65,831	-2,235
Charges for services	1,340	375	-965	600	1,374	774
Interest	1,500	2,297	797	2,401	1,958	-443
Transfers in	0	0	0	10,164	0	-10,164
Total Receipts	76,500	74,832	-1,668	81,231	69,163	-12,068
DISBURSEMENTS						
Assessor	92,419	84,820	7,599	78,561	72,666	5,895
Transfer out	0	0	0	2,570	2,808	-238
Total Disbursements	92,419	84,820	7,599	81,131	75,474	5,657
RECEIPTS OVER (UNDER) DISBURSEMENTS	-15,919	-9,988	5,931	100	-6,311	-6,411
CASH, JANUARY 1	34,331	34,331	0	40,642	40,642	0
CASH, DECEMBER 31	$ 18,412	24,343	5,931	40,742	34,331	-6,411

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

DADE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	180,000	193,164	13,164	170,000	187,146	17,146
Intergovernmental	49,000	48,793	-207	52,000	50,544	-1,456
Charges for services	35,000	50,267	15,267	22,000	34,588	12,588
Interest	0	1,327	1,327	0	0	0
Other	1,200	2,618	1,418	1,100	2,326	1,226
Transfers in	115,000	100,000	-15,000	137,000	115,000	-22,000
Total Receipts	380,200	396,169	15,969	382,100	389,604	7,504
DISBURSEMENTS						
Sheriff	257,971	263,054	-5,083	255,177	257,898	-2,721
Prosecuting Attorney	58,284	60,908	-2,624	58,156	55,145	3,011
Juvenile Officer	30,892	23,772	7,120	21,885	19,263	2,622
Coroner	1,530	1,530	0	1,530	1,530	0
Fringe benefits	24,956	23,577	1,379	30,010	26,226	3,784
Court administration	8,700	8,112	588	8,000	7,476	524
Transfers out	0	0	0	11,000	12,962	-1,962
Total Disbursements	382,333	380,953	1,380	385,758	380,500	5,258
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,133	15,216	17,349	-3,658	9,104	12,762
CASH, JANUARY 1	13,102	13,102	0	3,998	3,998	0
CASH, DECEMBER 31	$ 10,969	28,318	17,349	340	13,102	12,762

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

DADE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	1,100	699	-401
Total Receipts	1,100	699	-401
DISBURSEMENTS			
Prosecuting Attorney	1,500	296	1,204
Total Disbursements	1,500	296	1,204
RECEIPTS OVER (UNDER) DISBURSEMENTS	-400	403	803
CASH, JANUARY 1	998	998	0
CASH, DECEMBER 31	$ 598	1,401	803

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

DADE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 49,000	52,817	3,817	48,850	48,872	22
Intergovernmental	138,000	126,995	-11,005	125,025	138,284	13,259
Charges for services	48,500	29,523	-18,977	64,000	43,983	-20,017
Interest	5,000	5,268	268	6,500	4,274	-2,226
Other	9,500	6,198	-3,302	14,000	10,410	-3,590
Total Receipts	250,000	220,801	-29,199	258,375	245,823	-12,552
DISBURSEMENTS						
Salaries and fringe benefits	220,000	200,884	19,116	208,000	204,493	3,507
Office expenditures	8,000	6,089	1,911	9,000	7,889	1,111
Equipment and supplies	12,500	13,040	-540	14,000	18,066	-4,066
Mileage and training	17,000	16,112	888	15,000	17,322	-2,322
Other	2,500	3,552	-1,052	17,000	17,884	-884
Total Disbursements	260,000	239,677	20,323	263,000	265,654	-2,654
RECEIPTS OVER (UNDER) DISBURSEMENTS	-10,000	-18,876	-8,876	-4,625	-19,831	-15,206
CASH, JANUARY 1	87,135	87,135	0	106,966	106,966	0
CASH, DECEMBER 31	$ 77,135	68,259	-8,876	102,341	87,135	-15,206

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Dade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Training Fund	1998
Law Enforcement Training Fund	1998
Prosecuting Attorney Bad Check Fund	1998 and 1997
Domestic Violence Fund	1998 and 1997
Recorder User Fee Fund	1998 and 1997
Law Library Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the Special Road and Bridge Fund in 1998 and the Health Center Fund in 1997. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	1998 and 1997
Law Library Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1998, $1,206,685 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $305,778 was uninsured and uncollateralized.

Of the county's bank balance at December 31, 1997, $1,238,324 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $308,369 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center's deposits at December 31, 1998 and 1997 were entirely covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $78,521 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $35,944. As of December 31, 1998, $15,524 remains to be paid.

Supplementary Schedule

Schedule

DADE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health - Special			
	Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	ERO045-8128	$ 24,826	23,843
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
	Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	6,985	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			
	Transportation Commission - Off-System			
	Bridge Replacement and Rehabilitation			
20.2	Program	BRO-029-3	57,447	256,023
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
	Emergency Management - State and Local			
83.5	Assistance	1253MO44507	283,827	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	N/A	2,330	2,543
	Department of Social Services - Child Support			
93.6	Enforcement	N/A	3,393	3,385
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO146-8128	2,025	1,108
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO146-8128	12,638	15,180
	Total Expenditures of Federal Awards		$ 393,471	302,082

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

DADE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Dade County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Because Dade County expended no noncash awards for the years ended December 31, 1998 and 1997, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $281,036 to subrecipients under Emergency Management - State and Local Assistance (CFDA number 83.534 during the year ended December 31, 1998.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Dade County, Missouri

Compliance

We have audited the compliance of Dade County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Dade County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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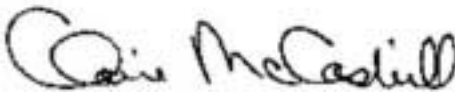
Internal Control Over Compliance

The management of Dade County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Dade County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 24, 1999 (fieldwork completion date)

Schedule

DADE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes ___x___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___x___ none reported

Noncompliance material to the financial statements noted? ___x___ yes _____ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes ___x___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___x___ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes ___x___ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program
83.534	Emergency Management - State and Local Assistance

Dollar threshold used to distinguish between Type A
and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1.	**Budgets**

Warrants in the amount of $299,432 were issued in excess of approved budgeted expenditures for the Special Road and Bridge Fund in 1998 primarily due to unanticipated Federal Emergency Management monies being received and spent..

It was ruled in State Ex. Rel. Strong v. Cribb, 364 Mo.1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cumulative Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

WE RECOMMEND the County Commission not authorize warrants in excess of budgeted expenditures.

AUDITEE'S RESPONSE

The County Commission responded that they concur and that budgets will be amended as required.

The County Clerk responded that in the future, no checks will be issued unless there are sufficient budget funds available.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

DADE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

DADE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior report issued for the two years ended December 31, 1996, included no audit findings that Section .510 (a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

Letter on Other Matters

DADE COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Dade County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 24, 1999. We also have audited the compliance of Dade County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 24, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Dade County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgets and Financial Statements

   Budgets were not prepared for various county funds for the two years ended December 31, 1998. The county's annual published financial statements did not include the financial activity of some county funds.

2. County Expenditures

   The county did not always solicit bids nor was bid documentation always retained for various purchases. Some lodging and meal expenses paid from the Prosecuting Attorney Bad Check Fund did not appear reasonable. Adequate documentation of training expenses incurred by an employee of the Sheriff's department was not provided.

3. County Clerk's Procedures

   The County Clerk did not maintain an account book with the Ex Officio County Collector. Property tax additions are added to the tax books by the Ex Officio County Collector and Township Collectors only when taxes are paid. As a result, this process does not allow for an independent review or a complete delinquent tax amount.

4. Personnel Procedures

Time cards and time sheets of the Sheriff's department employees were not always signed by the employee and their supervisor.

5. Collateral Securities

The amount of collateral securities pledged by the county's depositary banks at January 4, 1999 and December 31, 1998 and 1997 were insufficient to cover monies in the custody of the County Treasurer and Ex Officio County Collector.

This Letter on Other Matters is intended for the information of the management of Dade County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

NEWTON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-87
September 29, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Newton, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Newton County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

NEWTON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Newton County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Newton County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Newton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Newton County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Newton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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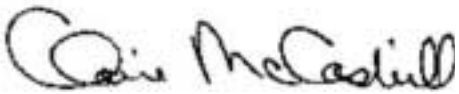
Newton County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 15, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

July 15, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Newton County, Missouri

We have audited the special-purpose financial statements of various funds of Newton County, Missouri, as of and for the years ended December 31, 1998 and 97, and have issued our report thereon dated July 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Newton County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Newton County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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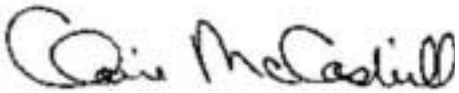
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Newton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 15, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

NEWTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	2,071,906	5,278,307	4,938,117	2,412,096
Special Road and Bridge		543,954	2,004,358	1,780,505	767,807
Assessment		57,269	337,207	375,894	18,582
Law Enforcement Training		14,139	16,128	5,271	24,996
Prosecuting Attorney Training		4,080	5,249	4,097	5,232
Prosecuting Attorney Administrative Fees		42,877	38,775	9,975	71,677
Emergency 911		82,404	641,254	706,208	17,450
Sheriff's Criminal Activity Forfeiture Account		14,055	722	2,296	12,481
Recorder's User Fees		34,303	29,349	9,550	54,102
Local Emergency Planning Council		7,590	4,066	3,338	8,318
Mental Health		71,742	313,796	305,000	80,538
County Fair		8,997	44,153	48,831	4,319
Sheriff's Civil Fees		21,029	37,710	3,788	54,951
Domestic Violence		3,630	7,527	7,237	3,920
Health Center		152,005	697,933	630,522	219,416
Law Library		7,760	19,089	7,507	19,342
Circuit Clerk Interest		9,894	10,133	10,586	9,441
Associate Circuit Division Interest		13,863	4,489	0	18,352
Prosecuting Attorney Delinquent Sales Tax		9,882	395	0	10,277
DARE		918	946	1,123	741
Emergency Shelter		0	5,000	5,000	0
Local Records Grant		0	4,111	0	4,111
Family Access		0	75	0	75
Total	$	3,172,297	9,500,772	8,854,845	3,818,224

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

NEWTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	2,651,057	5,194,120	5,773,271	2,071,906
Special Road and Bridge		79,854	2,492,950	2,028,850	543,954
Assessment		47,450	358,433	348,614	57,269
Law Enforcement Training		7,473	10,464	3,798	14,139
Prosecuting Attorney Training		4,683	6,668	7,271	4,080
Prosecuting Attorney Administrative Fees		26,291	29,833	13,247	42,877
Emergency 911		95,341	622,198	635,135	82,404
Sheriff's Criminal Activity Forfeiture Account		14,387	1,843	2,175	14,055
Recorder's User Fees		17,001	23,922	6,620	34,303
Local Emergency Planning Council		8,362	4,920	5,692	7,590
Mental Health		31,564	268,155	227,977	71,742
County Fair		15,485	38,848	45,336	8,997
Sheriff's Civil Fees		0	21,029	0	21,029
Domestic Violence		4,330	7,601	8,301	3,630
Community Development Block Grant		0	2,000,000	2,000,000	0
Health Center		98,800	658,573	605,368	152,005
Law Library		3,817	10,473	6,530	7,760
Circuit Clerk Interest		8,242	19,775	18,123	9,894
Associate Circuit Division Interest		5,663	8,450	250	13,863
Prosecuting Attorney Delinquent Sales Tax		3,965	34,384	28,467	9,882
DARE		0	1,309	391	918
Emergency Shelter		0	5,000	5,000	0
Total	$	3,123,765	11,818,948	11,770,416	3,172,297

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 20,000	21,822	1,822	17,900	20,707	2,807
Sales taxes	3,750,000	3,666,992	-83,008	3,700,000	3,624,995	-75,005
Intergovernmental	511,710	483,111	-28,599	497,097	514,828	17,731
Charges for services	722,925	704,872	-18,053	625,500	658,108	32,608
Interest	164,000	142,201	-21,799	175,000	163,669	-11,331
Other	127,400	259,309	131,909	225,925	211,813	-14,112
Total Receipts	5,296,035	5,278,307	#VALUE!	5,241,422	5,194,120	#VALUE!
DISBURSEMENTS						
County Commission	80,820	79,503	1,317	79,865	76,583	3,282
County Clerk	116,800	115,267	1,533	105,836	103,493	2,343
Elections	48,200	39,240	8,960	14,300	14,926	-626
Buildings and grounds	405,312	354,444	50,868	371,708	354,451	17,257
Employee fringe benefits	576,100	484,224	91,876	556,200	542,508	13,692
County Treasurer	22,980	22,746	234	24,302	22,861	1,441
County Collector	137,363	128,503	8,860	132,742	123,466	9,276
Ex Officio Recorder of Deeds	97,466	86,670	10,796	87,621	88,706	-1,085
Circuit Clerk	25,004	23,290	1,714	25,004	23,983	1,021
Associate Circuit Court	49,138	45,049	4,089	42,028	41,829	199
Probate Court	32,915	30,075	2,840	32,108	26,193	5,915
Court administration	58,250	40,892	17,358	55,225	42,313	12,912
Public Administrator	17,245	16,326	919	16,115	19,038	-2,923
Sheriff	1,108,329	1,109,207	-878	1,148,741	1,127,809	20,932
Jail	601,007	529,904	71,103	603,316	520,425	82,891
Prosecuting Attorney	304,722	275,554	29,168	287,084	282,841	4,243
Juvenile Officer	153,846	140,850	12,996	150,257	140,774	9,483
County Coroner	23,200	22,941	259	23,050	22,603	447
Data processing	75,792	67,807	7,985	83,248	74,385	8,863
Contingency costs	244,500	22,387	222,113	205,250	20,286	184,964
Capital improvements	500,000	265,997	234,003	500,000	541,873	-41,873
Grants	232,222	160,302	71,920	206,177	203,597	2,580
Public health and welfare services	16,500	9,912	6,588	16,500	8,292	8,208
Postage	70,000	63,024	6,976	70,000	69,265	735
Insurance premiums	120,000	108,063	11,937	110,000	102,023	7,977
Emergency management	81,418	89,870	-8,452	72,574	73,925	-1,351
Other	210,069	245,564	-35,495	102,183	104,823	-2,640
Transfers out	380,000	350,000	30,000	1,000,000	1,000,000	0
Emergency Fund	1,000,000	10,506	989,494	1,000,000	0	1,000,000
Total Disbursements	6,789,198	4,938,117	1,851,081	7,121,434	5,773,271	1,348,163
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,493,163	340,190	#VALUE!	-1,880,012	-579,151	#VALUE!
CASH, January 1	2,071,906	2,071,906	0	2,651,057	2,651,057	0
CASH, December 31	$ 578,743	2,412,096	#VALUE!	771,045	2,071,906	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 250,000	283,635	33,635	215,000	238,269	23,269
Intergovernmental	1,177,000	1,307,767	130,767	1,076,204	1,176,952	100,748
Interest	12,000	30,331	18,331	9,500	13,268	3,768
Other	8,000	32,625	24,625	3,500	64,461	60,961
Transfers in	350,000	350,000	0	1,100,000	1,000,000	-100,000
Total Receipts	1,797,000	2,004,358	207,358	2,404,204	2,492,950	88,746
DISBURSEMENTS						
Salaries	382,000	370,318	11,682	303,441	318,543	-15,102
Employee fringe benefits	95,400	84,146	11,254	79,000	83,537	-4,537
Supplies	135,000	134,891	109	202,100	136,042	66,058
Equipment repairs	40,000	44,159	-4,159	72,000	33,241	38,759
Equipment purchases	170,000	213,446	-43,446	216,500	242,712	-26,212
Construction, repair, and maintenance	540,000	413,467	126,533	1,069,000	757,550	311,450
Distributions to special road districts	683,280	432,542	250,738	349,000	418,652	-69,652
Other	36,000	87,536	-51,536	99,300	38,573	60,727
Total Disbursements	2,081,680	1,780,505	301,175	2,390,341	2,028,850	361,491
RECEIPTS OVER (UNDER) DISBURSEMENTS	-284,680	223,853	508,533	13,863	464,100	450,237
CASH, JANUARY 1	543,954	543,954	0	79,854	79,854	0
CASH, DECEMBER 31	$ 259,274	767,807	508,533	93,717	543,954	450,237

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 364,211	323,307	-40,904	311,160	348,050	36,890
Charges for services	5,000	9,636	4,636	6,000	4,726	-1,274
Interest	4,525	3,675	-850	6,000	5,113	-887
Other	475	589	114	1,000	544	-456
Total Receipts	374,211	337,207	-37,004	324,160	358,433	34,273
DISBURSEMENTS						
Assessor	384,297	375,894	8,403	317,160	348,614	-31,454
Total Disbursements	384,297	375,894	8,403	317,160	348,614	-31,454
RECEIPTS OVER (UNDER) DISBURSEMENTS	-10,086	-38,687	-28,601	7,000	9,819	2,819
CASH, JANUARY 1	57,269	57,269	0	47,450	47,450	0
CASH, DECEMBER 31	$ 47,183	18,582	-28,601	54,450	57,269	2,819

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,000	16,128	6,128	10,000	10,464	464
Total Receipts	10,000	16,128	6,128	10,000	10,464	464
DISBURSEMENTS						
Sheriff	17,474	5,271	12,203	17,041	3,798	13,243
Total Disbursements	17,474	5,271	12,203	17,041	3,798	13,243
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,474	10,857	18,331	-7,041	6,666	13,707
CASH, JANUARY 1	14,139	14,139	0	7,473	7,473	0
CASH, DECEMBER 31	$ 6,665	24,996	18,331	432	14,139	13,707

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 11,350	5,249	-6,101	11,903	6,668	-5,235
Total Receipts	11,350	5,249	-6,101	11,903	6,668	-5,235
DISBURSEMENTS						
Prosecuting Attorney	15,430	4,097	11,333	16,586	7,271	9,315
Total Disbursements	15,430	4,097	11,333	16,586	7,271	9,315
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,080	1,152	5,232	-4,683	-603	4,080
CASH, JANUARY 1	4,080	4,080	0	4,683	4,683	0
CASH, DECEMBER 31	$ 0	5,232	5,232	0	4,080	4,080

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY ADMINISTRATIVE FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,000	36,836	26,836	10,000	27,846	17,846
Interest	0	1,939	1,939	1,000	1,987	987
Total Receipts	10,000	38,775	28,775	11,000	29,833	18,833
DISBURSEMENTS						
Prosecuting Attorney	52,877	9,975	42,902	37,291	13,247	24,044
Total Disbursements	52,877	9,975	42,902	37,291	13,247	24,044
RECEIPTS OVER (UNDER) DISBURSEMENTS	-42,877	28,800	71,677	-26,291	16,586	42,877
CASH, JANUARY 1	42,877	42,877	0	26,291	26,291	0
CASH, DECEMBER 31	$ 0	71,677	71,677	0	42,877	42,877

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 611,015	636,157	25,142	581,530	616,846	35,316
Interest	4,700	2,338	-2,362	3,800	4,672	872
Other	100	2,759	2,659	11,075	680	-10,395
Transfers in	30,000	0	-30,000	0	0	0
Total Receipts	645,815	641,254	-4,561	596,405	622,198	25,793
DISBURSEMENTS						
Salaries	537,859	497,496	40,363	484,510	436,271	48,239
Office expenditures	16,500	7,440	9,060	13,500	18,964	-5,464
Equipment	157,400	184,015	-26,615	148,000	157,751	-9,751
Mileage and training	10,000	10,560	-560	10,000	9,399	601
Other	3,000	6,697	-3,697	14,000	12,750	1,250
Total Disbursements	724,759	706,208	18,551	670,010	635,135	34,875
RECEIPTS OVER (UNDER) DISBURSEMENTS	-78,944	-64,954	13,990	-73,605	-12,937	60,668
CASH, JANUARY 1	82,404	82,404	0	95,341	95,341	0
CASH, DECEMBER 31	$ 3,460	17,450	13,990	21,736	82,404	60,668

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CRIMINAL ACTIVITY FORFEITURE ACCOUNT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 800	502	-298	600	775	175
Other	200	220	20	400	1,068	668
Total Receipts	1,000	722	-278	1,000	1,843	843
DISBURSEMENTS						
Sheriff	3,500	2,296	1,204	3,000	2,175	825
Total Disbursements	3,500	2,296	1,204	3,000	2,175	825
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,500	-1,574	926	-2,000	-332	1,668
CASH, JANUARY 1	14,055	14,055	0	14,387	14,387	0
CASH, DECEMBER 31	$ 11,555	12,481	926	12,387	14,055	1,668

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 21,146	27,862	6,716	19,400	22,440	3,040
Interest	1,500	1,487	-13	1,000	1,482	482
Total Receipts	22,646	29,349	6,703	20,400	23,922	3,522
DISBURSEMENTS						
Recorder of Deeds	56,949	9,550	47,399	37,401	6,620	30,781
Total Disbursements	56,949	9,550	47,399	37,401	6,620	30,781
RECEIPTS OVER (UNDER) DISBURSEMENTS	-34,303	19,799	54,102	-17,001	17,302	34,303
CASH, JANUARY 1	34,303	34,303	0	17,001	17,001	0
CASH, DECEMBER 31	$ 0	54,102	54,102	0	34,303	34,303

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COUNCIL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 5,000	3,798	-1,202	5,000	4,672	-328
Interest	250	268	18	300	248	-52
Total Receipts	5,250	4,066	-1,184	5,300	4,920	-380
DISBURSEMENTS						
Local emergency planning	4,672	3,338	1,334	0	5,692	-5,692
Total Disbursements	4,672	3,338	1,334	0	5,692	-5,692
RECEIPTS OVER (UNDER) DISBURSEMENTS	578	728	150	5,300	-772	-6,072
CASH, JANUARY 1	7,590	7,590	0	8,362	8,362	0
CASH, DECEMBER 31	$ 8,168	8,318	150	13,662	7,590	-6,072

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MENTAL HEALTH FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 258,600	305,247	46,647	230,978	259,434	28,456
Intergovernmental	3,200	1,324	-1,876	4,000	3,017	-983
Interest	5,000	7,225	2,225	3,000	5,704	2,704
Total Receipts	266,800	313,796	46,996	237,978	268,155	30,177
DISBURSEMENTS						
Mental health services	305,000	305,000	0	237,978	227,977	10,001
Total Disbursements	305,000	305,000	0	237,978	227,977	10,001
RECEIPTS OVER (UNDER) DISBURSEMENTS	-38,200	8,796	46,996	0	40,178	40,178
CASH, JANUARY 1	71,742	71,742	0	31,564	31,564	0
CASH, DECEMBER 31	$ 33,542	80,538	46,996	31,564	71,742	40,178

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY FAIR FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 44,900	43,045	-1,855	33,850	36,638	2,788
Intergovernmental	0	189	189	500	406	-94
Interest	1,700	919	-781	1,500	1,804	304
Total Receipts	46,600	44,153	-2,447	35,850	38,848	2,998
DISBURSEMENTS						
County fair	51,200	48,831	2,369	44,030	45,336	-1,306
Total Disbursements	51,200	48,831	2,369	44,030	45,336	-1,306
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,600	-4,678	-78	-8,180	-6,488	1,692
CASH, JANUARY 1	8,997	8,997	0	15,485	15,485	0
CASH, DECEMBER 31	$ 4,397	4,319	-78	7,305	8,997	1,692

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

NEWTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 60,000	37,710	-22,290
Total Receipts	60,000	37,710	-22,290
DISBURSEMENTS			
Sheriff	50,000	3,788	46,212
Total Disbursements	50,000	3,788	46,212
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,000	33,922	23,922
CASH, JANUARY 1	21,029	21,029	0
CASH, DECEMBER 31	$ 31,029	54,951	23,922

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

NEWTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 8,000	7,601	-399
Total Receipts	8,000	7,601	-399
DISBURSEMENTS			
Domestic violence shelter	12,330	8,301	4,029
Total Disbursements	12,330	8,301	4,029
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,330	-700	3,630
CASH, JANUARY 1	4,330	4,330	0
CASH, DECEMBER 31	$ 0	3,630	3,630

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

NEWTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 2,000,000	2,000,000	0
Total Receipts	2,000,000	2,000,000	0
DISBURSEMENTS			
Float Loan to Hook-Up, Inc.	2,000,000	2,000,000	0
Total Disbursements	2,000,000	2,000,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 212,313	216,726	4,413	156,000	184,394	28,394
Intergovernmental	427,530	381,608	-45,922	372,054	412,578	40,524
Charges for services	30,000	33,823	3,823	36,400	29,115	-7,285
Interest	7,800	10,543	2,743	5,000	7,643	2,643
Other	28,230	55,233	27,003	49,700	24,843	-24,857
Total Receipts	705,873	697,933	-7,940	619,154	658,573	39,419
DISBURSEMENTS						
Salaries	477,766	467,153	10,613	429,120	410,516	18,604
Office expenditures	62,560	52,539	10,021	41,700	57,026	-15,326
Equipment	22,500	16,317	6,183	97,000	20,335	76,665
Mileage and training	17,800	12,243	5,557	15,250	14,983	267
Other	125,150	82,270	42,880	36,000	102,508	-66,508
Total Disbursements	705,776	630,522	75,254	619,070	605,368	13,702
RECEIPTS OVER (UNDER) DISBURSEMENTS	97	67,411	67,314	84	53,205	53,121
CASH, JANUARY 1	152,005	152,005	0	95,946	98,800	2,854
CASH, DECEMBER 31	$ 152,102	219,416	67,314	96,030	152,005	55,975

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 7,200	19,089	11,889	4,800	10,473	5,673
Interest	0	0	0	50	0	-50
Total Receipts	7,200	19,089	11,889	4,850	10,473	5,623
DISBURSEMENTS						
Law library	14,960	7,507	7,453	8,667	6,530	2,137
Total Disbursements	14,960	7,507	7,453	8,667	6,530	2,137
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,760	11,582	19,342	-3,817	3,943	7,760
CASH, JANUARY 1	7,760	7,760	0	3,817	3,817	0
CASH, DECEMBER 31	$ 0	19,342	19,342	0	7,760	7,760

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 3,000	10,133	7,133	2,526	19,775	17,249
Total Receipts	3,000	10,133	7,133	2,526	19,775	17,249
DISBURSEMENTS						
Circuit Clerk	12,894	10,586	2,308	10,760	18,123	-7,363
Total Disbursements	12,894	10,586	2,308	10,760	18,123	-7,363
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,894	-453	9,441	-8,234	1,652	9,886
CASH, JANUARY 1	9,894	9,894	0	8,234	8,242	8
CASH, DECEMBER 31	$ 0	9,441	9,441	0	9,894	9,894

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

NEWTON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 0	263	263	0	0	0
Interest	3,500	4,226	726	2,100	8,450	6,350
Total Receipts	3,500	4,489	989	2,100	8,450	6,350
DISBURSEMENTS						
Associate Circuit Division	250	0	250	5,750	250	5,500
Total Disbursements	250	0	250	5,750	250	5,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,250	4,489	1,239	-3,650	8,200	11,850
CASH, JANUARY 1	13,494	13,863	369	5,663	5,663	0
CASH, DECEMBER 31	$ 16,744	18,352	1,608	2,013	13,863	11,850

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Newton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Mental Health Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff's Civil Fees Fund	1997
Domestic Violence Fund	1998
DARE Fund	1998 and 1997
Emergency Shelter Fund	1998 and 1997
Local Records Grant Fund	1998
Family Access Fund	1998

Warrants issued were in excess of budgeted amounts for the Assessment Fund, Local Emergency Planning Council Fund, County Fair Fund, and Circuit Clerk Interest

Fund in 1997. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Community Development Block Grant Fund	1997
Health Center Fund	1998 and 1997
Law Library Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board of Trustees' deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $670,353 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $306,862. As of December 31, 1998, $132,569 remains to be paid.

Supplementary Schedule

Schedule

NEWTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	N/A	$ 352	498
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-8173	150,187	114,871
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	97FL001	0	2,000,000
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	ERO1640207	5,000	5,000
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants		0	35,449
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	9,546	1,716
	Passed through:			
	State Department of Public Safety -			
16.5	Juvenile Justice and Delinquency Prevention - Allocation to States	ERO172085	29,678	27,874
16.6	Crime Victim Assistance	97VOCA0132	3,130	0
		97VOCA0052	13,479	2,965
		96VOCA0045	0	13,054
	Program total		16,609	16,019
16.6	Byrne Formula Grant Program	98NCD2028	21,920	0
		97NCD2042	47,728	78,215
		96NCD2063	0	40,000
	Program total		69,648	118,215
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	679	392

	U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and				
	Transportation Commission -				
20.2	Off-System Bridge Replacement and				
	Rehabilitation Program	BRO-073-13		131,563	75,902
		BRO-073-15		41,922	50,834
		BRO-073-16		15,002	0
	Program total			188,487	126,736
::					
	GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -				
39.0	Donation of Federal Surplus Personal Property	N/A		140	0
	FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety:				
83.5	Emergency Management - State and Local				
	Assistance	N/A		19,159	20,731
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:				
	Department of Health -				
93.3	Immunization Grants	PG0064-8173		10,425	14,543
	Department of Social Services -				
93.6	Child Support Enforcement	N/A		16,697	16,374
	Department of Health -				
93.6	Child Care and Development Block Grant	ERO146-8173		3,872	1,986
93.9	HIV Care Formula Grants	ERO178		16,126	18,751
93.9	Cooperative Agreements for State-Based				
	Comprehensive Breast and Cervical Cancer				
	Early Detection Programs	ERO161-0065		8,535	21,012
94.0	Maternal and Child Health Services				
	Block Grant to the States	ERO146-8173		54,505	54,013
	Total Expenditures of Federal Awards		$	599,645	2,594,180

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

NEWTON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Newton County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 1998	1997
14.228	Community Development Block Grants/State's Program	$ -0-	2,000,000
16.579	Byrne Formula Grant Program	69,648	118,215

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Newton County, Missouri

Compliance

We have audited the compliance of Newton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Newton County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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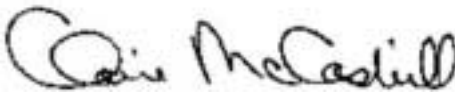
Internal Control Over Compliance

The management of Newton County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Newton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 15, 1999 (fieldwork completion date)

Schedule

NEWTON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	X no
Reportable condition identified that is not considered to be material weakness?	_____ yes	X none reported
Noncompliance material to the financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major program:		
Material weakness identified?	_____ yes	X no
Reportable condition identified that is not considered to be material weakness?	_____ yes	X none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	X no

Identification of major program:

CFDA or Other Identifying Number	Program Title
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

NEWTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

NEWTON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

3. Federal Financial Assistance

Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 16.579
Program Title: Drug Control and System Improvement-Formula Grant
Pass-Through Entity Identifying Number: 96-NCD2-0063, 95-NCD2-0050, and 94-NCD2-0059
Award Year: 1996, 1995, and 1994
Questioned Cost: N/A

A. The County Commission did not receive or review documentation supporting subrecipient expenditures. In addition, the County Commission did not ensure the subrecipient obtained an annual audit.

Federal Grantor: U. S. Department of Justice
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 16.579
Program Title: Drug Control and System Improvement-Formula Grant
Pass-Through Entity Identifying Number: 94-NCD8-0062 and 93-NCD8-007
Award Year: 1996, 1995, and 1994
Questioned Cost: $50,900

B. The county was a grant recipient for a Drug Control and System Improvement Grant, passed through the state Department of Public Safety (DPS). Newton County used the grant monies to fund the hiring of an Assistant Prosecuting Attorney; however, the county did not maintain time sheets or other records to document the time worked on this program.

Federal Grantor:	U. S. Department of Justice
Pass-Through Grantor:	N/A
Federal CFDA Number:	16.726
Program Title:	Community Oriented Policing Service (COPS-MORE)
Pass-Through Entity Identifying Number:	N/A
Award Year:	1996
Questioned Cost:	$45,366

C. The county did not advertise or solicit bids for equipment purchased related to a computer assisted dispatching system pursuant to the Community Oriented Policing Service (COPS-MORE) grant program.

Recommendation:

The County Commission work with applicable federal grantor agencies to resolve the findings and amounts presented on the Schedule of Questioned Costs. In the future, the County Commission should ensure bids are properly solicited, ensure adequate supporting documentation is maintained related to federal program expenditures, adequately review supporting documentation for all expenditures prior to approving reimbursement requests, and ensure subrecipients of federal financial assistance comply with federal regulations, including obtaining an annual audit when necessary.

Status:

A-C. Implemented. The county currently receives financial data including an audit related to Drug Control and System Improvement grant. Department of Public Safety personnel indicated no action will be taken. The U.S. Department of Justice personnel indicated no action will be taken applicable to the COPS-MORE grant program.

SECTION ON OTHER MATTERS

NEWTON COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Newton County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 15, 1999. We also have audited the compliance of Newton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated July 15, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Newton County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Payroll Policies and Procedures

   Centralized leave records are only maintained for the sheriff's department and emergency 911 department. Employees of the sheriff's department are allowed to carry negative compensatory and holiday leave balances. The county clerk does not perform a reconciliation of the sheriff's department compensatory time payment requests to the balance of compensatory time recorded on the related employee's time sheet. The number of hours worked by courthouse employees vary by department.

2. Budgetary Practices

   Several budgets prepared by the county did not adequately reflect the county's anticipated financial condition. Appropriations were budgeted to use all available resources. The practice of budgeting to spend all available resources or over estimating disbursements decreases the effectiveness of the budget as a management planning tool and as a control over disbursements.

This Letter on Other Matters is intended for the information of the management of Newton County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

BARRY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-86
September 28, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Barry, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Barry County was a financial and compliance audit of various county operating funds.

< The county did not prepare a budget for the Special Road District Fund for 1998. The audit recommended officials ensure budgets are prepared for all county funds.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

BARRY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Barry County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Barry County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Barry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Barry County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling $3,059,892 in receipts, and $3,045,604 in disbursements for the year ended December 31, 1998. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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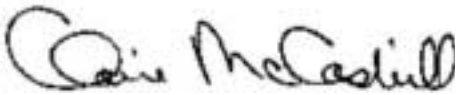
In our opinion, except for the omission of the 1998 information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Barry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Barry County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues,* as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards,* we also have issued our report dated June 23, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

June 23, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Barry County, Missouri

We have audited the special-purpose financial statements of various funds of Barry County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 23, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Barry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted an immaterial instance of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Barry County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the

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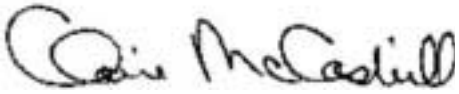
county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Barry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 23, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,224,995	2,271,547	2,079,233	1,417,309
Special Road and Bridge		317,494	430,419	349,073	398,840
Assessment		26,908	257,248	264,687	19,469
Law Enforcement Training		10,150	5,872	8,456	7,566
Prosecuting Attorney Training		1,180	1,575	691	2,064
Liberty Common Road District		12,055	11,632	5,826	17,861
Special Road District		0	2,921,245	2,921,245	0
Recorder Microfilm		38,626	25,269	11,567	52,328
Prosecuting Attorney Bad Check		40,110	31,590	58,156	13,544
Prosecuting Attorney Delinquent Tax		4,038	1,623	0	5,661
Sheriff Special Law Enforcement		8,898	1,731	3,674	6,955
Shelter Home		680	1,190	1,074	796
Sheriff		20,896	35,988	44,208	12,676
Peace Officer Standards Training		740	2,462	1,290	1,912
Local Emergency Planning Commission		20,262	7,712	1,197	26,777
DARE		18,784	725	11,390	8,119
Multiflora Rose Control		0	10,249	10,249	0
Local Law Enforcement Block Grant		0	14,355	14,355	0
Developmentally Disabled Board		225,098	180,718	147,506	258,310
Circuit Clerk Interest		10,275	8,777	10,055	8,997
Associate Circuit Division Interest		1,984	2,052	86	3,950
Search and Rescue		965	0	965	0
Law Library		13,038	8,147	29	21,156
Juvenile Office		7,888	130,500	123,365	15,023
Total	$	2,005,064	6,362,626	6,068,377	2,299,313

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	906,789	2,058,945	1,740,739	1,224,995
Special Road and Bridge		311,798	462,666	456,970	317,494
Assessment		32,510	226,310	231,912	26,908
Law Enforcement Training		8,001	5,344	3,195	10,150
Prosecuting Attorney Training		141	2,457	1,418	1,180
Liberty Common Road District		4,072	9,854	1,871	12,055
Special Road District		0	2,559,869	2,559,869	0
Recorder Microfilm		47,487	24,767	33,628	38,626
Prosecuting Attorney Bad Check		28,118	31,268	19,276	40,110
Prosecuting Attorney Delinquent Tax		2,983	1,055	0	4,038
Sheriff Special Law Enforcement		8,626	2,061	1,789	8,898
Shelter Home		624	1,247	1,191	680
Sheriff		0	20,896	0	20,896
Peace Officer Standards Training		0	740	0	740
Local Emergency Planning Commission		21,699	1,167	2,604	20,262
DARE		11,350	19,390	11,956	18,784
Developmentally Disabled Board		156,720	155,726	87,348	225,098
Circuit Clerk Interest		4,720	9,977	4,422	10,275
Associate Circuit Division Interest		1,074	934	24	1,984
Search and Rescue		556	409	0	965
Law Library		10,350	7,243	4,555	13,038
Juvenile Office		16,390	108,698	117,200	7,888
Total	$	1,574,008	5,711,023	5,279,967	2,005,064

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 13,500	19,594	6,094	9,000	17,285	8,285
Sales taxes	1,225,000	1,254,821	29,821	1,178,843	1,201,196	22,353
Intergovernmental	351,651	379,733	28,082	283,684	311,214	27,530
Charges for services	387,220	444,789	57,569	370,500	397,250	26,750
Interest	35,000	74,018	39,018	22,500	60,266	37,766
Other	52,000	55,412	3,412	33,558	61,923	28,365
Transfers in	0	43,180	43,180	0	9,811	9,811
Total Receipts	2,064,371	2,271,547	207,176	1,898,085	2,058,945	160,860
DISBURSEMENTS						
County Commission	93,703	73,634	20,069	53,129	52,383	746
County Clerk	51,250	50,523	727	51,900	49,728	2,172
Elections	99,660	84,771	14,889	57,650	43,347	14,303
Buildings and grounds	92,040	117,700	-25,660	75,650	87,069	-11,419
Employee fringe benefits	185,229	193,110	-7,881	177,635	172,163	5,472
County Treasurer	22,118	21,750	368	24,534	21,887	2,647
County Collector	91,548	91,190	358	94,330	93,044	1,286
Ex-Officio Recorder of Deeds	33,065	32,297	768	32,065	31,719	346
Circuit Clerk	14,350	19,025	-4,675	20,200	17,317	2,883
Associate Circuit Court	16,750	16,627	123	22,925	20,820	2,105
Court administration	5,919	4,761	1,158	5,794	4,788	1,006
Sheriff	474,996	463,164	11,832	456,932	501,595	-44,663
Jail	256,400	261,309	-4,909	226,140	219,494	6,646
Prosecuting Attorney	128,723	121,194	7,529	122,173	116,604	5,569
Juvenile Officer	144,124	134,517	9,607	110,931	124,642	-13,711
County Coroner	21,176	15,827	5,349	18,542	19,816	-1,274
Emergency Management	240	3,160	-2,920	4,830	2,000	2,830
Capital Projects	200,000	52,761	147,239	200,000	85,004	114,996
Insurance and bonds	46,000	45,229	771	33,000	28,122	4,878
University extension	33,896	33,896	0	33,231	33,231	0
Other	20,875	17,725	3,150	18,346	15,966	2,380
Transfers out	49,129	225,063	-175,934	130,448	0	130,448
Emergency Fund	95,000	0	95,000	94,904	0	94,904
Total Disbursements	2,176,191	2,079,233	96,958	2,065,289	1,740,739	324,550
RECEIPTS OVER (UNDER) DISBURSEMENTS	-111,820	192,314	304,134	-167,204	318,206	485,410
CASH, JANUARY 1	1,224,995	1,224,995	0	906,789	906,789	0
CASH, DECEMBER 31	$ 1,113,175	1,417,309	304,134	739,585	1,224,995	485,410

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 65,000	76,579	11,579	60,200	65,100	4,900
Intergovernmental	488,730	329,263	-159,467	545,100	372,291	-172,809
Charges for services	0	126	126	0	1,753	1,753
Interest	20,000	24,451	4,451	18,000	23,522	5,522
Total Receipts	573,730	430,419	-143,311	623,300	462,666	-160,634
DISBURSEMENTS						
Equipment	0	0	0	0	3,000	-3,000
Construction, repair, and maintenance	434,490	326,237	108,253	450,000	425,164	24,836
Other	12,400	9,902	2,498	175,000	22,595	152,405
Transfers out	9,000	12,934	-3,934	0	6,211	-6,211
Total Disbursements	455,890	349,073	106,817	625,000	456,970	168,030
RECEIPTS OVER (UNDER) DISBURSEMENTS	117,840	81,346	-36,494	-1,700	5,696	7,396
CASH, JANUARY 1	317,494	317,494	0	311,798	311,798	0
CASH, DECEMBER 31	$ 435,334	398,840	-36,494	310,098	317,494	7,396

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 248,199	237,473	-10,726	205,174	214,176	9,002
Charges for services	7,800	16,604	8,804	7,800	7,869	69
Interest	0	3,171	3,171	0	4,265	4,265
Transfers in	49,129	0	-49,129	34,230	0	-34,230
Total Receipts	305,128	257,248	-47,880	247,204	226,310	-20,894
DISBURSEMENTS						
Assessor	305,128	264,687	40,441	247,204	231,912	15,292
Total Disbursements	305,128	264,687	40,441	247,204	231,912	15,292
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-7,439	-7,439	0	-5,602	-5,602
CASH, JANUARY 1	26,908	26,908	0	32,510	32,510	0
CASH, DECEMBER 31	$ 26,908	19,469	-7,439	32,510	26,908	-5,602

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,000	5,872	872	3,500	5,344	1,844
Total Receipts	5,000	5,872	872	3,500	5,344	1,844
DISBURSEMENTS						
Sheriff	12,120	8,456	3,664	5,550	3,195	2,355
Total Disbursements	12,120	8,456	3,664	5,550	3,195	2,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,120	-2,584	4,536	-2,050	2,149	4,199
CASH, JANUARY 1	10,150	10,150	0	8,001	8,001	0
CASH, DECEMBER 31	$ 3,030	7,566	4,536	5,951	10,150	4,199

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,400	1,575	-825	2,200	2,457	257
Total Receipts	2,400	1,575	-825	2,200	2,457	257
DISBURSEMENTS						
Prosecuting Attorney	2,180	691	1,489	2,200	1,418	782
Total Disbursements	2,180	691	1,489	2,200	1,418	782
RECEIPTS OVER (UNDER) DISBURSEMENTS	220	884	664	0	1,039	1,039
CASH, JANUARY 1	1,180	1,180	0	141	141	0
CASH, DECEMBER 31	$ 1,400	2,064	664	141	1,180	1,039

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LIBERTY COMMON ROAD DISTRICT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 425	468	43	300	411	111
Sales taxes	5,000	5,446	446	4,900	5,045	145
Intergovernmental	3,834	4,644	810	3,300	3,814	514
Interest	500	1,074	574	250	584	334
Total Receipts	9,759	11,632	1,873	8,750	9,854	1,104
DISBURSEMENTS						
Construction, repair, and maintenance	10,000	5,815	4,185	7,500	1,830	5,670
Other	500	11	489	500	41	459
Total Disbursements	10,500	5,826	4,674	8,000	1,871	6,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	-741	5,806	6,547	750	7,983	7,233
CASH, JANUARY 1	12,055	12,055	0	4,072	4,072	0
CASH, DECEMBER 31	$ 11,314	17,861	6,547	4,822	12,055	7,233

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD DISTRICT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Property taxes	$ 375,000	405,254	30,254
Sales taxes	1,174,000	1,198,974	24,974
Intergovernmental	843,300	955,641	112,341
Total Receipts	2,392,300	2,559,869	167,569
DISBURSEMENTS			
Distributions to Special Road Districts	2,392,300	2,559,869	-167,569
Total Disbursements	2,392,300	2,559,869	-167,569
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER MICROFILM FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 20,000	22,786	2,786	20,000	22,262	2,262
Interest	2,000	2,483	483	1,000	2,505	1,505
Total Receipts	22,000	25,269	3,269	21,000	24,767	3,767
DISBURSEMENTS						
Ex Officio Recorder of Deeds	38,000	11,567	26,433	33,400	33,628	-228
Total Disbursements	38,000	11,567	26,433	33,400	33,628	-228
RECEIPTS OVER (UNDER) DISBURSEMENTS	-16,000	13,702	29,702	-12,400	-8,861	3,539
CASH, JANUARY 1	38,626	38,626	0	47,487	47,487	0
CASH, DECEMBER 31	$ 22,626	52,328	29,702	35,087	38,626	3,539

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 29,000	29,601	601	27,000	29,378	2,378
Interest	1,000	1,989	989	0	1,890	1,890
Total Receipts	30,000	31,590	1,590	27,000	31,268	4,268
DISBURSEMENTS						
Prosecuting Attorney	19,300	39,944	-20,644	23,300	19,276	4,024
Transfer out	40,700	18,212	22,488	0	0	0
Total Disbursements	60,000	58,156	1,844	23,300	19,276	4,024
RECEIPTS OVER (UNDER) DISBURSEMENTS	-30,000	-26,566	3,434	3,700	11,992	8,292
CASH, JANUARY 1	40,110	40,110	0	28,118	28,118	0
CASH, DECEMBER 31	$ 10,110	13,544	3,434	31,818	40,110	8,292

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 700	1,355	655	1,400	856	-544
Interest	100	268	168	100	199	99
Total Receipts	800	1,623	823	1,500	1,055	-445
DISBURSEMENTS						
Prosecuting Attorney	2,000	0	2,000	0	0	0
Total Disbursements	2,000	0	2,000	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,200	1,623	2,823	1,500	1,055	-445
CASH, JANUARY 1	4,038	4,038	0	2,983	2,983	0
CASH, DECEMBER 31	$ 2,838	5,661	2,823	4,483	4,038	-445

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF SPECIAL LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	0	453	453	100	482	382
Other	1,000	1,278	278	1,900	1,579	-321
Total Receipts	1,000	1,731	731	2,000	2,061	61
DISBURSEMENTS						
Sheriff	7,918	3,674	4,244	4,000	1,789	2,211
Total Disbursements	7,918	3,674	4,244	4,000	1,789	2,211
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,918	-1,943	4,975	-2,000	272	2,272
CASH, JANUARY 1	8,898	8,898	0	8,626	8,626	0
CASH, DECEMBER 31 $	1,980	6,955	4,975	6,626	8,898	2,272

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHELTER HOME FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 1,230	1,170	-60
Interest	17	20	3
Total Receipts	1,247	1,190	-57
DISBURSEMENTS			
Domestic violence shelter	1,230	1,074	156
Total Disbursements	1,230	1,074	156
RECEIPTS OVER (UNDER) DISBURSEMENTS	17	116	99
CASH, JANUARY 1	680	680	0
CASH, DECEMBER 31	$ 697	796	99

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	33,072	35,443	2,371
Interest		800	545	-255
Total Receipts		33,872	35,988	2,116
DISBURSEMENTS				
Sheriff		43,814	36,445	7,369
Transfer out		0	7,763	-7,763
Total Disbursements		43,814	44,208	-394
RECEIPTS OVER (UNDER) DISBURSEMENTS		-9,942	-8,220	1,722
CASH, JANUARY 1		20,896	20,896	0
CASH, DECEMBER 31	$	10,954	12,676	1,722

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PEACE OFFICER STANDARDS AND TRAINING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,400	2,363	963
Interest	14	34	20
Other	0	65	65
Total Receipts	1,414	2,462	1,048
DISBURSEMENTS			
Training	1,723	1,290	433
Total Disbursements	1,723	1,290	433
RECEIPTS OVER (UNDER) DISBURSEMENTS	-309	1,172	1,481
CASH, JANUARY 1	740	740	0
CASH, DECEMBER 31	$ 431	1,912	1,481

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	0	6,608	6,608
Interest	$ 1,000	1,104	104
Total Receipts	1,000	7,712	6,712
DISBURSEMENTS			
Office expenditures	3,150	1,197	1,953
Total Disbursements	3,150	1,197	1,953
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,150	6,515	8,665
CASH, JANUARY 1	20,262	20,262	0
CASH, DECEMBER 31	$ 18,112	26,777	8,665

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DARE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	0	725	725
Other	$ 25,000	0	-25,000
Total Receipts	25,000	725	-24,275
DISBURSEMENTS			
Sheriff	25,000	11,390	13,610
Total Disbursements	25,000	11,390	13,610
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-10,665	-10,665
CASH, JANUARY 1	18,784	18,784	0
CASH, DECEMBER 31	$ 18,784	8,119	-10,665

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MULTIFLORA ROSE CONTROL FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	10,000	10,000	0
Interest	$ 430	249	-181
Total Receipts	10,430	10,249	-181
DISBURSEMENTS			
Distributions to farmers	10,000	10,000	0
Transfers out	0	249	-249
Total Disbursements	10,000	10,249	-249
RECEIPTS OVER (UNDER) DISBURSEMENTS	430	0	-430
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 430	0	-430

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL LAW ENFORCEMENT BLOCK GRANT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	8,798	8,798	0
Interest	50	80	30
Transfer in	$ 977	977	0
Total Receipts	9,825	9,855	30
DISBURSEMENTS			
Sheriff	9,775	9,855	-80
Total Disbursements	9,775	9,855	-80
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	0	-50
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 50	0	-50

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

BARRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DEVELOPMENTALLY DISABLED BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Propety taxes	$ 157,815	170,584	12,769	121,581	147,051	25,470
Intergovernmental	0	1,034	1,034	0	1,093	1,093
Interest	7,500	9,100	1,600	4,000	7,582	3,582
Total Receipts	165,315	180,718	15,403	125,581	155,726	30,145
DISBURSEMENTS						
Office expenditures	2,500	210	2,290	1,500	217	1,283
Insurance and bonds	3,000	1,304	1,696	4,000	2,120	1,880
Developmentally disabled services	157,815	145,992	11,823	120,081	85,011	35,070
Total Disbursements	163,315	147,506	15,809	125,581	87,348	38,233
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	33,212	31,212	0	68,378	68,378
CASH, JANUARY 1	225,098	225,098	0	156,720	156,720	0
CASH, DECEMBER 31	$ 227,098	258,310	31,212	156,720	225,098	68,378

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 7,500	7,709	209
Other	0	1,068	1,068
Total Receipts	7,500	8,777	1,277
DISBURSEMENTS			
Circuit Clerk	12,000	5,055	6,945
Transfer out	0	5,000	-5,000
Total Disbursements	12,000	10,055	1,945
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,500	-1,278	3,222
CASH, JANUARY 1	9,457	10,275	818
CASH, DECEMBER 31	$ 4,957	8,997	4,040

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 945	2,035	1,090
Other	0	17	17
Total Receipts	945	2,052	1,107
DISBURSEMENTS			
Associate Circuit Division	1,200	86	1,114
Total Disbursements	1,200	86	1,114
RECEIPTS OVER (UNDER) DISBURSEMENTS	-255	1,966	2,221
CASH, JANUARY 1	1,891	1,984	93
CASH, DECEMBER 31	$ 1,636	3,950	2,314

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Barry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official or the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Special Road District Fund	1998
Shelter Home Fund	1997
Sheriff Fund	1997
Peace Officer Standards Training Fund	1997
Local Emergency Planning Commission Fund	1997
DARE Fund	1997
Circuit Clerk Interest Fund	1997
Associate Circuit Division Interest Fund	1997
Law Library Fund	1998 and 1997
Search and Rescue Fund	1998 and 1997
Juvenile Office Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Special Road District Fund	1997
Recorder Microfilm Fund	1997
Sheriff Fund	1998
Multiflora Rose Control Fund	1998
Local Law Enforcement Block Grant Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The published financial statements for the two years ended December 31, 1998 and 1997 included all funds being reported.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The deposits of the Developmentally Disabled Board at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the name of the Developmentally Disabled Board.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $405,785 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $185,753. As of December 31, 1998, $80,250 remains to be paid.

Supplementary Schedule

Schedule

BARRY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct Progam:			
10.unknown	Cooperative Law /Cannabis Agreement	N/A	$ 1,365	1,745
	Passed through state:			
	Department of Social Services - Food			
10.6	Distribution	N/A	64	125
	Department of Health - Special			
	Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	ER0045-8104	111,367	116,870
	Office of Administration -			
	Schools and Roads - Grants to			
10.7	States	N/A	73,423	92,730
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
	Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	11,099	0
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
	Public Safety Partnership and			
16.7	Community Policing ("Cops") Grants	97-UM-WX-063	32,487	18,426
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	3,770	0
	Passed through:			
	State Department of Public Safety -			
16.6	Byrne Formula Grant Program	97-NCD4-0600	16,865	20,259
		96-NCD1-0002	0	8,100
	Program total		16,865	28,359
16.6	Local Law Enforcement Block Grants Program	97-LBG-4	8,798	0
	Missouri Sheriffs' Association - Domestic			
16.unknown	Cannabis Eradication/Suppression Program	N/A	3,392	525
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			
	Transportation Commission - Off-System			
	Bridge Replacement and Rehabilitation			
20.2	Program	BRO-005-13	140,259	16,320
		BRO-005-14	42,878	266,161
	Program Total		183,137	282,481
	GENERAL SERVICES ADMINISTRATION			

	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	86	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	PGO064-9104	11,940	18,123
	Department of Social Services - Child Support			
93.6	Enforcement	N/A	2,442	2,399
::				
93.7	Juvenile Court Diversion Program	ERO-172-119	30,264	7,034
		ERO-172-083	17,344	33,960
		ERO-172-084	45,545	55,620
		AOC-700-304	0	5,266
	Program Total		93,153	101,880
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO146-7104	4,987	3,686
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO146-9104	86,389	64,587
	Total Expenditures of Federal Awards		$ 644,764	731,936

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

BARRY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Barry County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Barry County, Missouri

Compliance

We have audited the compliance of Barry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Barry County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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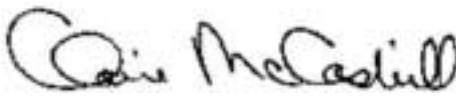
Internal Control Over Compliance

The management of Barry County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Barry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 23, 1999 (fieldwork completion date)

Schedule

BARRY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weaknesses identified?	X yes	no
Reportable conditions identified that are not considered to be material weaknesses?	yes	X none reported
Noncompliance material to the financial statements noted?	X yes	no

Federal Awards

Internal control over major program(s):		
Material weaknesses identified?	yes	X no
Reportable conditions identified that are not considered to be material weaknesses?	yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	yes	X no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.710	Community Policing ("COPS") Grants
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1 Omission of Budgetary Information

The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the year ending December 31, 1998. The lack of budgetary information for these funds, especially the Special Road District Fund, is a significant omission from the county's financial statements. Receipts and disbursements which were not budgeted for 1998 totaled $3,059,892 and $3,045,604, respectively. In addition, budgets were not prepared for some funds during 1997.

Chapter 50, RSMo 1994 and RSMo Cumulative Supp. 1998, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuring year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials and boards would be able to more effectively evaluate all county financial resources.

WE RECOMMEND the County Commission and other applicable officials ensure budgets are prepared for all county funds as required by state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We accept your recommendation. A budget for the Special Road District fund was prepared for 1999, and we will continue to ensure budgets are prepared in the future.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

BARRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Barry County, Missouri, on the applicable findings in our prior audit report issued for the three years ended December 31, 1996.

2. Budgets and Published Financial Statements

B. Budgets were not prepared for some county funds

Recommendation:

The County Commission:

B. Ensure budgets are prepared or obtained for all county funds.

Status:

B. Not implemented. See finding number 98-1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

BARRY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION OF OTHER MATTERS

BARRY COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Barry County, Missouri, as of and for the years ended December 31, 1998 and 1997 , and have issued our report thereon dated June 23, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Barry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 23, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Barry County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Purchasing Procedures

   Bids were not always solicited for various purchases made by the county during the audit period. Invoices were not always approved by an authorized employee prior to payment. Assets purchased were not always posted to the county's general fixed asset listing.

2. Circuit Clerk's Interest Fund

   The Circuit Clerk's interest ledger contained numerous mathematical and posting errors, and a running balance of accumulated interest is not maintained.

This Letter on Other Matters is intended for the information of the management of Barry County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

LEWIS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-85
September 27, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Lewis County, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Lewis County was a financial compliance audit of various county operating funds.

< The county had not established cash management procedures to ensure federal off-system Bridge Replacement and Rehabilitation monies were disbursed within the time frame required by the Cash Management Improvement Act Agreement.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

LEWIS COUNTY, MISSOURI

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LEWIS COUNTY, MISSOURI

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LEWIS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Lewis County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Lewis County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Lewis County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Lewis County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Lewis County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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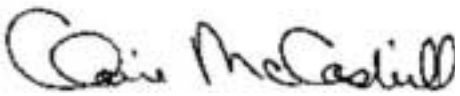
Lewis County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 20, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

May 20, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Lewis County, Missouri

We have audited the special-purpose financial statements of various funds of Lewis County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Lewis County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Lewis County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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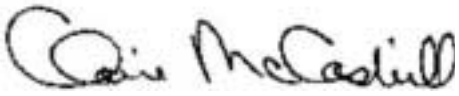
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Lewis County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 20, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 161,545	1,081,316	1,024,139	218,722
Special Road and Bridge	100,826	753,014	808,416	45,424
Assessment	17,910	112,177	118,229	11,858
Law Enforcement Training	1,963	3,859	3,757	2,065
Prosecuting Attorney Training	880	764	403	1,241
Health Center	233,615	597,366	548,880	282,101
County Farm	32,584	44,063	44,842	31,805
Domestic Violence	2,490	1,150	1,500	2,140
Prosecuting Attorney Bad Check	1,479	1,537	2,096	920
DWI	730	534	1,224	40
Recorder's User Fee	7,210	4,014	9,742	1,482
Law Enforcement Operating	3,697	203,239	197,776	9,160
Special Road and Bridge Capital Improvement	24,435	189,553	172,910	41,078
Sheriff Civil Fees	75	12,634	2,000	10,709
DARE	2,056	2,088	2,642	1,502
Special Projects Law Enforcement	15	13,465	10,357	3,123
Circuit Clerk Interest	556	2,345	933	1,968
Associate Circuit/Probate Division Interest	0	1,171	404	767
Total	$ 592,066	3,024,289	2,950,250	666,105

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	26,653	1,083,825	948,933	161,545
Special Road and Bridge		80,487	707,666	687,327	100,826
Assessment		1,149	113,292	96,531	17,910
Law Enforcement Training		1,353	2,940	2,330	1,963
Prosecuting Attorney Training		1,253	1,212	1,585	880
Health Center		219,052	547,353	532,790	233,615
County Farm		27,834	68,659	63,909	32,584
Domestic Violence		5,280	1,210	4,000	2,490
Prosecuting Attorney Bad Check		2,963	2,414	3,898	1,479
DWI		650	80	0	730
Recorder's User Fee		4,129	4,252	1,171	7,210
Law Enforcement Operating		21,532	216,139	233,974	3,697
Special Road and Bridge Capital Improvement		35,384	495,373	506,322	24,435
Sheriff Civil Fees		0	2,775	2,700	75
DARE		0	2,816	760	2,056
Special Projects Law Enforcement		0	12,015	12,000	15
Circuit Clerk Interest		1,411	1,825	2,680	556
Associate Circuit/Probate Division Interest		0	1,344	1,344	0
Local Law Enforcement Block Grant		0	19,000	19,000	0
CDBG Small Bridge Project		475	0	475	0
Total	$	429,605	3,284,190	3,121,729	592,066

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 194,594	194,638	44	174,500	174,092	-408
Sales and use taxes	492,000	469,552	-22,448	397,300	491,622	94,322
Intergovernmental	55,475	51,983	-3,492	74,301	94,667	20,366
Charges for services	138,450	180,325	41,875	153,725	165,145	11,420
Interest	5,000	10,638	5,638	4,000	7,697	3,697
Other	133,869	156,270	22,401	141,393	150,602	9,209
Transfers in	18,716	17,910	-806	0	0	0
Total Receipts	1,038,104	1,081,316	#VALUE!	945,219	1,083,825	#VALUE!
DISBURSEMENTS						
County Commission	51,000	51,023	-23	51,500	51,709	-209
County Clerk	46,168	46,365	-197	44,783	44,619	164
Elections	24,038	21,417	2,621	5,900	5,978	-78
Buildings and grounds	27,092	29,138	-2,046	31,620	33,586	-1,966
Employee fringe benefits	116,815	110,088	6,727	110,762	116,805	-6,043
County Treasurer	21,210	20,881	329	21,010	20,879	131
County Collector	54,786	54,351	435	51,326	53,095	-1,769
Ex Officio Recorder of Deeds	48,021	45,120	2,901	26,767	26,291	476
Circuit Clerk	11,900	11,780	120	8,400	10,932	-2,532
Associate Circuit Court	12,420	12,110	310	11,029	11,029	0
Probate	780	565	215	702	777	-75
Court administration	13,970	16,255	-2,285	14,312	22,179	-7,867
Public Administrator	19,500	20,079	-579	14,775	15,201	-426
Sheriff	158,490	151,287	7,203	111,080	123,086	-12,006
Prosecuting Attorney	59,262	54,690	4,572	49,320	49,558	-238
Juvenile Officer	103,006	103,154	-148	103,625	108,127	-4,502
County Coroner	9,500	8,102	1,398	12,400	8,773	3,627
Other	84,522	83,249	1,273	77,713	75,933	1,780
Industrial development	130,000	147,424	-17,424	137,000	132,249	4,751
Public health and welfare services	5,000	5,000	0	5,000	5,000	0
Repayment of local use taxes	150,000	0	150,000	22,800	0	22,800
Transfers out	21,065	21,065	0	28,660	30,255	-1,595
Emergency Fund	31,104	10,996	20,108	27,911	2,872	25,039
Total Disbursements	1,199,649	1,024,139	175,510	968,395	948,933	19,462
RECEIPTS OVER (UNDER) DISBURSEMENTS	-161,545	57,177	#VALUE!	-23,176	134,892	#VALUE!
CASH, JANUARY 1	161,545	161,545	0	26,653	26,653	0
CASH, DECEMBER 31	$ 0	218,722	#VALUE!	3,477	161,545	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

LEWIS COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 200,380	226,813	26,433	199,000	196,297	-2,703
Intergovernmental	454,583	463,238	8,655	423,820	453,052	29,232
Interest	5,000	4,242	-758	3,500	5,321	1,821
Other	29,500	38,721	9,221	28,500	32,996	4,496
Transfers in	20,600	20,000	-600	20,000	20,000	0
Total Receipts	710,063	753,014	42,951	674,820	707,666	32,846
DISBURSEMENTS						
Salaries	232,685	237,328	-4,643	207,950	182,466	25,484
Employee fringe benefits	86,237	76,970	9,267	76,752	63,829	12,923
Supplies	80,225	65,212	15,013	80,000	72,898	7,102
Insurance	14,000	13,470	530	13,000	12,859	141
Road and bridge materials	219,950	236,818	-16,868	236,885	205,468	31,417
Equipment repairs	65,000	71,318	-6,318	55,000	67,412	-12,412
Rentals	1,500	744	756	2,500	0	2,500
Equipment purchases	98,292	96,599	1,693	69,220	72,706	-3,486
Other	13,000	9,957	3,043	14,000	9,689	4,311
Total Disbursements	810,889	808,416	2,473	755,307	687,327	67,980
RECEIPTS OVER (UNDER) DISBURSEMENTS	-100,826	-55,402	45,424	-80,487	20,339	100,826
CASH, JANUARY 1	100,826	100,826	0	80,487	80,487	0
CASH, DECEMBER 31	$ 0	45,424	45,424	0	100,826	100,826

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 86,415	90,173	3,758	73,175	83,291	10,116
Interest	800	881	81	300	876	576
Other	100	58	-42	150	465	315
Transfers in	21,065	21,065	0	28,660	28,660	0
Total Receipts	108,380	112,177	3,797	102,285	113,292	11,007
DISBURSEMENTS						
Assessor	108,380	100,319	8,061	100,334	93,431	6,903
Transfers out	17,910	17,910	0	3,100	3,100	0
Total Disbursements	126,290	118,229	8,061	103,434	96,531	6,903
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,910	-6,052	11,858	-1,149	16,761	17,910
CASH, JANUARY 1	17,910	17,910	0	1,149	1,149	0
CASH, DECEMBER 31	$ 0	11,858	11,858	0	17,910	17,910

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	604	604	0	0	0
Charges for services	2,940	3,056	116	3,450	2,940	-510
Other	0	199	199	300	0	-300
Total Receipts	2,940	3,859	919	3,750	2,940	-810
DISBURSEMENTS						
Sheriff	4,903	3,757	1,146	5,103	2,330	2,773
Total Disbursements	4,903	3,757	1,146	5,103	2,330	2,773
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,963	102	2,065	-1,353	610	1,963
CASH, JANUARY 1	1,963	1,963	0	1,353	1,353	0
CASH, DECEMBER 31	$ 0	2,065	2,065	0	1,963	1,963

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,800	764	-1,036	1,700	1,212	-488
Total Receipts	1,800	764	-1,036	1,700	1,212	-488
DISBURSEMENTS						
Prosecuting Attorney	2,680	403	2,277	2,954	1,585	1,369
Total Disbursements	2,680	403	2,277	2,954	1,585	1,369
RECEIPTS OVER (UNDER) DISBURSEMENTS	-880	361	1,241	-1,254	-373	881
CASH, JANUARY 1	880	880	0	1,254	1,253	-1
CASH, DECEMBER 31	$ 0	1,241	1,241	0	880	880

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 64,000	76,984	12,984	64,000	65,759	1,759
Intergovernmental	162,850	183,047	20,197	151,969	181,927	29,958
Charges for services	342,910	301,136	-41,774	334,725	269,853	-64,872
Interest	7,500	8,562	1,062	0	7,588	7,588
Other	16,100	27,637	11,537	29,875	22,226	-7,649
Total Receipts	593,360	597,366	4,006	580,569	547,353	-33,216
DISBURSEMENTS						
Salaries	442,221	431,790	10,431	357,699	406,408	-48,709
Office expenses	32,580	36,675	-4,095	28,900	28,993	-93
Equipment	16,000	8,004	7,996	5,700	6,304	-604
Mileage and training	51,500	37,872	13,628	43,200	40,837	2,363
Other	155,228	34,539	120,689	168,267	50,248	118,019
Total Disbursements	697,529	548,880	148,649	603,766	532,790	70,976
RECEIPTS OVER (UNDER) DISBURSEMENTS	-104,169	48,486	152,655	-23,197	14,563	37,760
CASH, JANUARY 1	233,400	233,615	215	215,743	219,052	3,309
CASH, DECEMBER 31	$ 129,231	282,101	152,870	192,546	233,615	41,069

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY FARM FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,000	2,821	-2,179	0	0	0
Interest	600	1,014	414	1,000	642	-358
Other	35,229	36,228	999	33,927	48,322	14,395
Transfers in	4,000	4,000	0	3,100	19,695	16,595
Total Receipts	44,829	44,063	-766	38,027	68,659	30,632
DISBURSEMENTS						
Farm expenses	0	0	0	19,600	17,335	2,265
County programs	16,980	16,308	672	4,374	3,155	1,219
Maintenance	60,433	28,534	31,899	41,887	22,824	19,063
Transfers out	0	0	0	0	20,595	-20,595
Total Disbursements	77,413	44,842	32,571	65,861	63,909	1,952
RECEIPTS OVER (UNDER) DISBURSEMENTS	-32,584	-779	31,805	-27,834	4,750	32,584
CASH, JANUARY 1	32,584	32,584	0	27,834	27,834	0
CASH, DECEMBER 31	$ 0	31,805	31,805	0	32,584	32,584

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,200	1,150	-50	1,100	1,210	110
Total Receipts	1,200	1,150	-50	1,100	1,210	110
DISBURSEMENTS						
Health and welfare	3,690	1,500	2,190	6,380	4,000	2,380
Total Disbursements	3,690	1,500	2,190	6,380	4,000	2,380
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,490	-350	2,140	-5,280	-2,790	2,490
CASH, JANUARY 1	2,490	2,490	0	5,280	5,280	0
CASH, DECEMBER 31	$ 0	2,140	2,140	0	2,490	2,490

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,500	1,537	-963	2,000	2,414	414
Total Receipts	2,500	1,537	-963	2,000	2,414	414
DISBURSEMENTS						
Prosecuting Attorney	3,979	2,096	1,883	4,963	3,898	1,065
Total Disbursements	3,979	2,096	1,883	4,963	3,898	1,065
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,479	-559	920	-2,963	-1,484	1,479
CASH, JANUARY 1	1,479	1,479	0	2,963	2,963	0
CASH, DECEMBER 31	$ 0	920	920	0	1,479	1,479

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DWI FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 600	534	-66	270	80	-190
Total Receipts	600	534	-66	270	80	-190
DISBURSEMENTS						
Highway Patrol	0	0	0	460	0	460
Sheriff	0	1,224	-1,224	460	0	460
Transfers out	1,330	0	1,330	0	0	0
Total Disbursements	1,330	1,224	106	920	0	920
RECEIPTS OVER (UNDER) DISBURSEMENTS	-730	-690	40	-650	80	730
CASH, JANUARY 1	730	730	0	650	650	0
CASH, DECEMBER 31	$ 0	40	40	0	730	730

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,600	4,014	414	3,500	3,952	452
Interest	200	0	-200	0	175	175
Other	0	0	0	0	125	125
Total Receipts	3,800	4,014	214	3,500	4,252	752
DISBURSEMENTS						
Ex Officio Recorder of Deeds	11,010	9,742	1,268	7,629	1,171	6,458
Total Disbursements	11,010	9,742	1,268	7,629	1,171	6,458
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,210	-5,728	1,482	-4,129	3,081	7,210
CASH, JANUARY 1	7,210	7,210	0	4,129	4,129	0
CASH, DECEMBER 31	$ 0	1,482	1,482	0	7,210	7,210

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT OPERATING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 111,000	113,328	2,328	107,000	110,850	3,850
Intergovernmental	74,417	79,381	4,964	106,288	71,490	-34,798
Charges for services	9,016	8,075	-941	6,500	8,050	1,550
Interest	400	455	55	800	407	-393
Other	0	0	0	8,150	8,452	302
Transfers in	12,205	2,000	-10,205	0	16,890	16,890
Total Receipts	207,038	203,239	-3,799	228,738	216,139	-12,599
DISBURSEMENTS						
Salaries	123,946	109,089	14,857	109,163	105,467	3,696
Employee fringe benefits	32,239	26,640	5,599	39,679	22,917	16,762
Supplies	14,000	14,225	-225	24,211	18,834	5,377
Equipment purchases	8,750	9,306	-556	13,750	23,740	-9,990
Prisoner board	27,800	34,516	-6,716	54,500	55,421	-921
Transfers out	4,000	4,000	0	8,150	7,595	555
Total Disbursements	210,735	197,776	12,959	249,453	233,974	15,479
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,697	5,463	9,160	-20,715	-17,835	2,880
CASH, JANUARY 1	3,697	3,697	0	21,532	21,532	0
CASH, DECEMBER 31	$ 0	9,160	9,160	817	3,697	2,880

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

LEWIS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 167,000	171,646	4,646	157,000	166,513	9,513
Intergovernmental	38,691	16,263	-22,428	343,210	327,131	-16,079
Interest	2,000	1,644	-356	2,000	1,729	-271
Total Receipts	207,691	189,553	-18,138	502,210	495,373	-6,837
DISBURSEMENTS						
Contract labor	37,000	22,341	14,659	35,000	28,160	6,840
Road and bridge materials	122,126	98,945	23,181	114,380	102,091	12,289
Equipment	23,000	22,057	943	25,000	20,640	4,360
Bridge construction	30,000	9,567	20,433	343,210	335,431	7,779
Transfers out	20,000	20,000	0	20,000	20,000	0
Total Disbursements	232,126	172,910	59,216	537,590	506,322	31,268
RECEIPTS OVER (UNDER) DISBURSEMENTS	-24,435	16,643	41,078	-35,380	-10,949	24,431
CASH, JANUARY 1	24,435	24,435	0	35,384	35,384	0
CASH, DECEMBER 31	$ 0	41,078	41,078	4	24,435	24,431

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 10,800	12,634	1,834
Total Receipts	10,800	12,634	1,834
DISBURSEMENTS			
Transfers out	10,875	2,000	8,875
Total Disbursements	10,875	2,000	8,875
RECEIPTS OVER (UNDER) DISBURSEMENTS	-75	10,634	10,709
CASH, JANUARY 1	75	75	0
CASH, DECEMBER 31	$ 0	10,709	10,709

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DARE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Donations	$ 0	588	588
Transfers in	1,500	1,500	0
Total Receipts	1,500	2,088	588
DISBURSEMENTS			
Sheriff	3,556	2,642	914
Total Disbursements	3,556	2,642	914
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,056	-554	1,502
CASH, JANUARY 1	2,056	2,056	0
CASH, DECEMBER 31	$ 0	1,502	1,502

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL PROJECTS LAW ENFORCEMENT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 18,000	13,465	-4,535
Total Receipts	18,000	13,465	-4,535
DISBURSEMENTS			
Prosecuting Attorney	16,500	8,857	7,643
Transfers out	1,515	1,500	15
Total Disbursements	18,015	10,357	7,658
RECEIPTS OVER (UNDER) DISBURSEMENTS	-15	3,108	3,123
CASH, JANUARY 1	15	15	0
CASH, DECEMBER 31	$ 0	3,123	3,123

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 1,200	2,345	1,145
Total Receipts	1,200	2,345	1,145
DISBURSEMENTS			
Supplies and equipment	900	933	-33
Total Disbursements	900	933	-33
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	1,412	1,112
CASH, JANUARY 1	556	556	0
CASH, DECEMBER 31	$ 856	1,968	1,112

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT/ PROBATE DIVISION INTEREST

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 1,500	1,171	-329
Total Receipts	1,500	1,171	-329
DISBURSEMENTS			
Supplies and equipment	1,500	404	1,096
Total Disbursements	1,500	404	1,096
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	767	767
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	767	767

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Lewis County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Sheriff Civil Fees Fund, Special Projects Law Enforcement Fund, DARE Fund, Circuit Clerk Interest Fund, Associate Circuit/Probate Division Interest Fund, Local Law Enforcement Block Grant Fund, and CDBG Small Bridge Project Fund for the year ended December 31, 1997.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	1998 and 1997
Local Law Enforcement Block Grant Fund	1997
CDBG Small Bridge Project Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit/Probate Division Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a guarantee bond.

The health center's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held in the health center's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $135,625 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $71,522. As of December 31, 1998, $26,819 remains to be paid.

Supplementary Schedule

Schedule

LEWIS COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Farm Service Agency -			
10.1	Production flexibility payments for contract commodities	N/A	$ 0	1,272
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-8156	36,150	31,761
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
	Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	443	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	95-PF-21	0	25,228
		94-PF-23	0	475
	Program Total		0	25,703
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	97UMWX640	5,333	9,294
	Passed through:			
	State Department of Public Safety -			
16.5	Juvenile Justice and Delinquency Prevention - Allocation to States	ERO172021	0	6,789
16.6	Local Law Enforcement Block Grants Program	96-LBG-077	0	9,000
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO 056 (6)	0	302,569
		BRO 056 (8)	9,567	30,783

	Program Total		9,567	333,352
	Passed through state Department of Public Safety -			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	848	0
::				
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	D3538	905	1,358
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	PG0064-156	4,120	5,825
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	1,295	1,644
	Department of Health -			
93.6	Child Care and Development Block Grant	ER0146-8156CCNC	3,009	2,117
		PG0067-8156	531	0
	Program Total		3,540	2,117
94.0	Maternal and Child Health Services Block Grant to the States	ER0146-8156MCH	15,909	20,706
	Comprehensive Family Planning	ER0175-8156FP	12,903	10,374
	Program Total		28,812	31,080
	Total Expenditures of Federal Awards		$ 91,013	459,195

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

LEWIS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Lewis County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Lewis County, Missouri

Compliance

We have audited the compliance of Lewis County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Lewis County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

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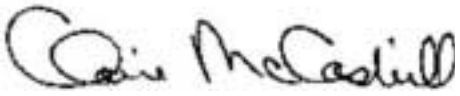
OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

Internal Control Over Compliance

The management of Lewis County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Lewis County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 20, 1999 (fieldwork completion date)

Schedule

LEWIS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Noncompliance material to the financial statements noted?	_____ yes	x no

Federal Awards

Internal control over major program:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	x yes	_____ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Highway Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-1. Cash Management

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity Identifying Number: BRO-056(6) & BRO-056(8)
Award Year: 1998 and 1997
Questioned Costs: Not Applicable

During the two years ended December 31, 1998, the county participated in the Off-System Bridge Replacement and Rehabilitation Program. Through this program, 80 percent of eligible expenses are reimbursed from federal funds passed through the Missouri Department of Transportation. During the two years, the county received approximately $340,000 through this program.

The county has not established cash management procedures to ensure the minimum time lapses between its receipt of federal project monies and the disbursement of such monies to contractors. The County Commission makes payments to contractors at the next meeting following receipt of the reimbursement. We reviewed two reimbursements totaling $120,858 which were held for 6 days before the related payments were made to contractors. While the liability was incurred prior to the reimbursement, payment was not made to the vendor on a timely basis.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to disbursement of a payment.

WE RECOMMEND the County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The recommendation was implemented April 1999. County Commission meetings were previously one day a week. Effective April 1, 1999, County Commission meetings are held two days each week. This will allow compliance with the two day payment requirement. The County Clerk is the contact person for the county.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LEWIS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

LEWIS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

LEWIS COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Lewis County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 20, 1999. We also have audited the compliance of Lewis County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 20, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Lewis County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. County Expenditures

   Bids were not solicited or bid documentation could not be located for a used police car costing $7,995 and farm supplies totaling $8,829. While the County Commission indicated verbal bids were obtained for the car; no bid documentation was maintained.

2. General Fixed Asset Records

   Some general fixed assets were not recorded on the general fixed asset listing including various purchases of computer equipment of approximately $22,000, a police car costing $7,995, and a copier costing approximately $4,600. The County Clerk indicated road and bridge purchases are recorded on the general fixed assets records when received. For other items, the County Clerk maintains a copy of the invoice and records the items on the general fixed asset ledger when she has time. The County Clerk indicated she is looking at a general fixed assets program which will allow her to update the records more timely.

3. Special Projects Law Enforcement Fund

   In 1997 the Prosecuting Attorney directed a payment of $8,000 be made to the Lewis County Law Enforcement Youth Soccer League from the Special Projects Law Enforcement Fund. A written contract was not entered into specifying the intended purpose of the funds and documentation was not provided to allow the County Commission to monitor the

expenditures of these funds. In addition, the Prosecuting Attorney has custody of the Law Enforcement Youth Soccer League monies.

4. Compensated Absences

Leave records are not reviewed for accuracy. Errors were noted during our review of the county's annual leave and compensatory time records. Without proper leave records, there is little assurance that the Fair Labor Standards Act is being complied with properly. The County Commission indicated the county has a new payroll system which allows the County Clerk's office to maintain more accurate leave records.

5. Financial Condition

Lewis County's Special Road and Bridge Fund is experiencing a declining cash balance. The cash balance decreased from $80,487 at January 1, 1997 to $45,424 at December 31, 1998. In addition, the 1999 budget reflects an anticipated ending cash balance of $0. Given the county's outstanding lease purchase obligations to be paid from this fund, the County Commission should continue to monitor the financial condition of the Special Road and Bridge Fund. The County Commission indicated they monitor this fund closely.

This Letter on Other Matters is intended for the information of the management of Lewis County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

WEBSTER COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-84
September 24, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Webster, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Webster County was a financial and compliance audit of various county operating funds.

< The county did not sufficiently rollback its property tax levy to comply with the sales tax ballot issue passed by Webster County voters. For the 1998 rollback, a calculation error caused the county to collect $22,829 in excess property taxes, and higher than projected sales tax revenues caused an additional $27,533 in excess property taxes. The County Commission indicated the 1999 property tax levy has been rolled back sufficiently to correct these errors.

The audit also includes some matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

WEBSTER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Webster County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Webster County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Webster County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Webster County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Webster County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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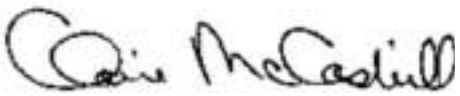
Webster County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 3, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

May 3, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Webster County, Missouri

We have audited the special-purpose financial statements of various funds of Webster County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 3, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Webster County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Webster County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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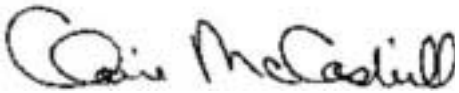
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Webster County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 3, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	202,163	1,478,758	1,467,969	212,952
Special Road and Bridge		77,338	1,224,880	1,178,531	123,687
Assessment		5	233,612	221,144	12,473
Law Enforcement Training		773	5,650	5,734	689
Prosecuting Attorney Training		539	1,636	2,154	21
Capital Improvement Sales Tax		59,270	859,304	803,759	114,815
Sheriff Equipment		243	15	0	258
Sheriff Drug		1,509	41	1,523	27
DARE		274	1,374	0	1,648
Prosecuting Attorney Delinquent Tax		24	2	0	26
Prosecuting Attorney Drug		1,068	18	1,080	6
Recorder User Fee		10,612	17,860	5,456	23,016
Children's Trust		3,672	1,350	0	5,022
Local Emergency Planning Commission		9,425	3,224	2,890	9,759
Peace Officers Standards Training		1,748	2,024	3,772	0
Sheriff		1,400	29,510	0	30,910
CDBG		0	39,462	39,462	0
Health Center		234,342	614,621	631,885	217,078
Senate Bill 40 Board		84,678	154,983	198,967	40,694
Emergency 911		332,997	358,050	116,593	574,454
Law Library		2,627	12,051	7,414	7,264
Circuit Clerk Interest		4,350	1,629	1,028	4,951
Associate Circuit Division Interest		338	971	272	1,037
Total	$	1,029,395	5,041,025	4,689,633	1,380,787

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	199,776	1,443,802	1,441,415	202,163
Special Road and Bridge		44,864	1,076,601	1,044,127	77,338
Assessment		16,005	200,188	216,188	5
Law Enforcement Training		2,687	4,609	6,523	773
Prosecuting Attorney Training		350	1,744	1,555	539
Capital Improvement Sales Tax		87,448	787,122	815,300	59,270
Sheriff Equipment		730	768	1,255	243
Sheriff Drug		3,149	6,617	8,257	1,509
DARE		93	256	75	274
Prosecuting Attorney Delinquent Tax		23	1	0	24
Prosecuting Attorney Drug		2,475	105	1,512	1,068
Recorder User Fee		13,440	13,816	16,644	10,612
Children's Trust		2,841	1,231	400	3,672
Local Emergency Planning Commission		7,755	4,144	2,474	9,425
Peace Officers Standards Training		1,586	1,757	1,595	1,748
Sheriff		0	1,400	0	1,400
Health Center		115,436	615,104	496,198	234,342
Senate Bill 40 Board		69,779	134,670	119,771	84,678
Emergency 911		87,873	320,797	75,673	332,997
Law Library		1,138	9,583	8,094	2,627
Circuit Clerk Interest		4,163	1,831	1,644	4,350
Associate Circuit Division Interest		1,778	1,067	2,507	338
Total	$	663,389	4,627,213	4,261,207	1,029,395

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 85,806	90,489	4,683	72,831	81,963	9,132
Sales taxes	825,000	761,760	-63,240	781,000	781,104	104
Intergovernmental	186,204	134,366	-51,838	138,998	143,116	4,118
Charges for services	394,000	433,389	39,389	365,512	420,120	54,608
Interest	12,000	8,379	-3,621	6,500	10,055	3,555
Other	9,616	35,375	25,759	46,249	6,214	-40,035
Transfers in	16,500	15,000	-1,500	0	1,230	1,230
Total Receipts	1,529,126	1,478,758	#VALUE!	1,411,090	1,443,802	#VALUE!
DISBURSEMENTS						
County Commission	65,330	63,368	1,962	63,415	62,196	1,219
County Clerk	65,450	64,606	844	62,864	62,544	320
Elections	50,050	42,757	7,293	24,560	16,327	8,233
Buildings and grounds	71,209	58,642	12,567	86,171	84,925	1,246
Employee fringe benefits	93,290	87,396	5,894	69,100	68,376	724
County Treasurer	23,635	23,536	99	23,120	22,712	408
County Collector	75,501	76,144	-643	74,695	74,639	56
Ex Officio Recorder of Deeds	28,952	29,472	-520	28,240	26,819	1,421
Circuit Clerk	18,800	20,004	-1,204	17,650	16,157	1,493
Associate Circuit Court	18,975	17,545	1,430	16,400	12,940	3,460
Circuit Judge	11,979	6,936	5,043	11,979	6,220	5,759
Court administration	9,472	1,704	7,768	6,365	5,191	1,174
Public Administrator	16,363	30,176	-13,813	10,845	12,250	-1,405
Recycling	38,245	14,167	24,078	57,625	33,992	23,633
Purchasing agent	17,476	17,361	115	18,302	17,951	351
Emergency management	15,380	14,294	1,086	16,042	15,793	249
Sheriff	471,000	443,836	27,164	464,928	466,123	-1,195
Juvenile Detention Center	130,134	113,481	16,653	45,106	64,913	-19,807
Prosecuting Attorney	87,094	87,006	88	90,029	85,651	4,378
Juvenile Officer	52,436	49,025	3,411	77,542	74,900	2,642
County Coroner	8,470	8,681	-211	8,500	7,986	514
Public health and welfare services	4,000	3,062	938	2,500	4,018	-1,518
Debt service	11,240	11,240	0	11,240	11,240	0
Other	126,701	120,825	5,876	144,313	145,913	-1,600
Transfers out	62,705	62,705	0	41,639	41,639	0
Emergency Fund	45,874	0	45,874	42,300	0	42,300
Total Disbursements	1,619,761	1,467,969	151,792	1,515,470	1,441,415	74,055
RECEIPTS OVER (UNDER) DISBURSEMENTS	-90,635	10,789	#VALUE!	-104,380	2,387	#VALUE!
CASH, JANUARY 1	202,163	202,163	0	199,776	199,776	0
CASH, DECEMBER 31	$ 111,528	212,952	#VALUE!	95,396	202,163	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 309,938	311,341	1,403	291,010	267,703	-23,307
Intergovernmental	774,135	838,359	64,224	719,521	792,952	73,431
Charges for services	44,900	0	-44,900	15,000	0	-15,000
Interest	10,000	12,655	2,655	5,000	9,905	4,905
Other	4,013	62,525	58,512	12,000	6,041	-5,959
Total Receipts	1,142,986	1,224,880	81,894	1,042,531	1,076,601	34,070
DISBURSEMENTS						
Salaries	405,000	401,465	3,535	414,214	395,160	19,054
Employee fringe benefits	78,909	77,354	1,555	73,200	64,294	8,906
Supplies	71,200	53,754	17,446	70,500	65,731	4,769
Insurance	10,886	12,243	-1,357	24,274	24,389	-115
Road and bridge materials	300,000	294,685	5,315	85,000	85,816	-816
Equipment repairs	25,000	25,976	-976	90,000	99,530	-9,530
Construction, repair, and maintenance	106,000	100,590	5,410	125,000	97,688	27,312
Distribution to special road district	120,504	130,608	-10,104	113,469	119,816	-6,347
Other	77,791	66,856	10,935	81,500	90,473	-8,973
Transfers out	15,000	15,000	0	0	1,230	-1,230
Total Disbursements	1,210,290	1,178,531	31,759	1,077,157	1,044,127	33,030
RECEIPTS OVER (UNDER) DISBURSEMENTS	-67,304	46,349	113,653	-34,626	32,474	67,100
CASH, JANUARY 1	77,338	77,338	0	44,864	44,864	0
CASH, DECEMBER 31	$ 10,034	123,687	113,653	10,238	77,338	67,100

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 159,373	167,563	8,190	147,203	153,475	6,272
Interest	2,500	303	-2,197	3,000	2,492	-508
Other	0	3,041	3,041	2,000	2,582	582
Transfers in	62,705	62,705	0	41,639	41,639	0
Total Receipts	224,578	233,612	9,034	193,842	200,188	6,346
DISBURSEMENTS						
Assessor	224,578	221,144	3,434	209,847	216,188	-6,341
Total Disbursements	224,578	221,144	3,434	209,847	216,188	-6,341
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	12,468	12,468	-16,005	-16,000	5
CASH, JANUARY 1	5	5	0	16,005	16,005	0
CASH, DECEMBER 31	$ 5	12,473	12,468	0	5	5

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,500	5,596	1,096	4,500	4,467	-33
Interest	99	54	-45	0	142	142
Total Receipts	4,599	5,650	1,051	4,500	4,609	109
DISBURSEMENTS						
Sheriff	4,599	5,734	-1,135	4,500	6,523	-2,023
Total Disbursements	4,599	5,734	-1,135	4,500	6,523	-2,023
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-84	-84	0	-1,914	-1,914
CASH, JANUARY 1	773	773	0	2,687	2,687	0
CASH, DECEMBER 31	$ 773	689	-84	2,687	773	-1,914

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,800	1,598	-202	2,100	1,715	-385
Interest	30	38	8	0	29	29
Total Receipts	1,830	1,636	-194	2,100	1,744	-356
DISBURSEMENTS						
Prosecuting Attorney	1,635	2,154	-519	2,035	1,555	480
Total Disbursements	1,635	2,154	-519	2,035	1,555	480
RECEIPTS OVER (UNDER) DISBURSEMENTS	195	-518	-713	65	189	124
CASH, JANUARY 1	539	539	0	350	350	0
CASH, DECEMBER 31	$ 734	21	-713	415	539	124

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 825,000	848,473	23,473	781,000	781,041	41
Interest	6,000	10,791	4,791	5,000	6,081	1,081
Other	0	40	40	0	0	0
Total Receipts	831,000	859,304	28,304	786,000	787,122	1,122
DISBURSEMENTS						
Salaries	10,000	5,242	4,758	10,000	5,933	4,067
Road and bridge materials	452,000	478,354	-26,354	533,775	516,717	17,058
Equipment	247,000	178,210	68,790	140,000	151,890	-11,890
Construction, repair, and maintenance	40,000	8,149	31,851	42,000	17,590	24,410
Mileage and training	400	0	400	400	0	400
Distribution to special road district	130,120	133,804	-3,684	123,164	123,170	-6
Total Disbursements	879,520	803,759	75,761	849,339	815,300	34,039
RECEIPTS OVER (UNDER) DISBURSEMENTS	-48,520	55,545	104,065	-63,339	-28,178	35,161
CASH, JANUARY 1	59,270	59,270	0	87,448	87,448	0
CASH, DECEMBER 31	$ 10,750	114,815	104,065	24,109	59,270	35,161

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF EQUIPMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 23	15	-8	0	20	20
Other	750	0	-750	700	748	48
Total Receipts	773	15	-758	700	768	68
DISBURSEMENTS						
Sheriff	773	0	773	700	1,255	-555
Total Disbursements	773	0	773	700	1,255	-555
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	15	15	0	-487	-487
CASH, JANUARY 1	243	243	0	730	730	0
CASH, DECEMBER 31	$ 243	258	15	730	243	-487

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF DRUG FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 0	41	41	0	108	108
Other	10,000	0	-10,000	10,000	6,509	-3,491
Total Receipts	10,000	41	-9,959	10,000	6,617	-3,383
DISBURSEMENTS						
Sheriff	10,000	1,523	8,477	10,000	8,257	1,743
Total Disbursements	10,000	1,523	8,477	10,000	8,257	1,743
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-1,482	-1,482	0	-1,640	-1,640
CASH, JANUARY 1	1,509	1,509	0	3,149	3,149	0
CASH, DECEMBER 31	$ 1,509	27	-1,482	3,149	1,509	-1,640

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DARE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 20	26	6	0	6	6
Other	500	1,348	848	0	250	250
Total Receipts	520	1,374	854	0	256	256
DISBURSEMENTS						
Sheriff	520	0	520	0	75	-75
Total Disbursements	520	0	520	0	75	-75
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,374	1,374	0	181	181
CASH, JANUARY 1	274	274	0	93	93	0
CASH, DECEMBER 31	$ 274	1,648	1,374	93	274	181

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	100	0	-100
Interest	0	2	2	0	1	1
Total Receipts	0	2	2	100	1	-99
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	100	0	100
Total Disbursements	0	0	0	100	0	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2	2	0	1	1
CASH, JANUARY 1	24	24	0	23	23	0
CASH, DECEMBER 31	$ 24	26	2	23	24	1

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DRUG FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 10,000	0	-10,000	5,000	0	-5,000
Interest	105	18	-87	0	105	105
Total Receipts	10,105	18	-10,087	5,000	105	-4,895
DISBURSEMENTS						
Prosecuting Attorney	4,000	1,080	2,920	2,000	1,512	488
Transfers out	0	0	0	2,500	0	2,500
Total Disbursements	4,000	1,080	2,920	4,500	1,512	2,988
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,105	-1,062	-7,167	500	-1,407	-1,907
CASH, JANUARY 1	1,068	1,068	0	2,475	2,475	0
CASH, DECEMBER 31	$ 7,173	6	-7,167	2,975	1,068	-1,907

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 13,000	16,974	3,974	13,000	13,330	330
Interest	400	886	486	0	486	486
Total Receipts	13,400	17,860	4,460	13,000	13,816	816
DISBURSEMENTS						
Ex Officio Recorder of Deeds	8,000	5,456	2,544	16,035	16,644	-609
Total Disbursements	8,000	5,456	2,544	16,035	16,644	-609
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,400	12,404	7,004	-3,035	-2,828	207
CASH, JANUARY 1	10,612	10,612	0	13,440	13,440	0
CASH, DECEMBER 31	$ 16,012	23,016	7,004	10,405	10,612	207

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,200	1,109	-91	1,100	1,060	-40
Interest	0	241	241	0	171	171
Total Receipts	1,200	1,350	150	1,100	1,231	131
DISBURSEMENTS						
Domestic violence shelters	0	0	0	0	400	-400
Total Disbursements	0	0	0	0	400	-400
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,200	1,350	150	1,100	831	-269
CASH, JANUARY 1	3,672	3,672	0	2,841	2,841	0
CASH, DECEMBER 31	$ 4,872	5,022	150	3,941	3,672	-269

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 2,600	2,768	168
Interest	325	456	131
Total Receipts	2,925	3,224	299
DISBURSEMENTS			
Office supplies	250	263	-13
Administrative costs	1,500	1,500	0
Projects and materials	3,500	600	2,900
Mileage and training	1,450	527	923
Total Disbursements	6,700	2,890	3,810
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,775	334	4,109
CASH, JANUARY 1	9,425	9,425	0
CASH, DECEMBER 31	$ 5,650	9,759	4,109

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PEACE OFFICERS STANDARDS TRAINING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	2,000	2,024	24
Total Receipts	2,000	2,024	24
DISBURSEMENTS			
Sheriff	2,000	3,772	-1,772
Total Disbursements	2,000	3,772	-1,772
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-1,748	-1,748
CASH, JANUARY 1	1,748	1,748	0
CASH, DECEMBER 31	$ 1,748	0	-1,748

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	5,600	28,921	23,321
Interest	28	589	561
Total Receipts	5,628	29,510	23,882
DISBURSEMENTS			
Sheriff	7,000	0	7,000
Total Disbursements	7,000	0	7,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,372	29,510	30,882
CASH, JANUARY 1	1,400	1,400	0
CASH, DECEMBER 31	$ 28	30,910	30,882

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 231,841	247,589	15,748	193,950	213,049	19,099
Intergovernmental	422,214	322,667	-99,547	242,873	359,962	117,089
Charges for services	53,000	34,757	-18,243	16,800	33,998	17,198
Interest	4,000	9,608	5,608	3,400	8,095	4,695
Total Receipts	711,055	614,621	-96,434	457,023	615,104	158,081
DISBURSEMENTS						
Salaries	346,276	378,142	-31,866	288,348	318,219	-29,871
Office expenditures	40,800	35,642	5,158	15,200	32,732	-17,532
Medical expenditures	56,500	41,409	15,091	10,000	45,662	-35,662
Mileage and training	10,000	12,433	-2,433	10,000	9,242	758
Debt service	148,000	148,000	0	78,000	74,000	4,000
Other	37,450	16,259	21,191	5,850	16,343	-10,493
Total Disbursements	639,026	631,885	7,141	407,398	496,198	-88,800
RECEIPTS OVER (UNDER) DISBURSEMENTS	72,029	-17,264	-89,293	49,625	118,906	69,281
CASH, JANUARY 1	241,789	234,342	-7,447	105,942	115,436	9,494
CASH, DECEMBER 31	$ 313,818	217,078	-96,740	155,567	234,342	78,775

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

WEBSTER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 145,510	146,670	1,160	114,281	124,023	9,742
Intergovernmental	1,500	2,146	646	1,500	1,471	-29
Interest	9,200	6,167	-3,033	3,100	9,176	6,076
Total Receipts	156,210	154,983	-1,227	118,881	134,670	15,789
DISBURSEMENTS						
Contractual services	202,939	198,967	3,972	148,937	119,771	29,166
Total Disbursements	202,939	198,967	3,972	148,937	119,771	29,166
RECEIPTS OVER (UNDER) DISBURSEMENTS	-46,729	-43,984	2,745	-30,056	14,899	44,955
CASH, JANUARY 1	84,678	84,678	0	69,779	69,779	0
CASH, DECEMBER 31	$ 37,949	40,694	2,745	39,723	84,678	44,955

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	$ 329,810	337,251	7,441
Interest	5,000	20,799	15,799
Total Receipts	334,810	358,050	23,240
DISBURSEMENTS			
Salaries	68,057	57,831	10,226
Office expense	5,435	9,897	-4,462
Building and grounds	10,550	12,333	-1,783
Contractual services	284,680	36,532	248,148
Total Disbursements	368,722	116,593	252,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	-33,912	241,457	275,369
CASH, JANUARY 1	332,572	332,997	425
CASH, DECEMBER 31	$ 298,660	574,454	275,794

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 7,979	11,887	3,908
Interest	96	164	68
Total Receipts	8,075	12,051	3,976
DISBURSEMENTS			
Law library	4,000	7,414	-3,414
Total Disbursements	4,000	7,414	-3,414
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,075	4,637	562
CASH, JANUARY 1	2,627	2,627	0
CASH, DECEMBER 31	$ 6,702	7,264	562

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Webster County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Local Emergency Planning Commission Fund	1997
Peace Officers Standards Training Fund	1997
Sheriff Fund	1997
Community Development Block Grant Fund	1998 and 1997
Emergency 911 Fund	1997
Law Library Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Assessment Fund	1997
Law Enforcement Training Fund	1998 and 1997
Prosecuting Attorney Training Fund	1998
Sheriff Equipment Fund	1997
DARE Fund	1997
Recorder User Fee Fund	1997
Childrens Trust Fund	1997
Peace Officers Standards Training Fund	1998
Health Center Fund	1997
Law Library Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Community Development Block Grant Fund, Law Library Fund, Circuit Clerk Interest Fund, and Associate Circuit Division Interest Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial

institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's, Senate Bill 40 Board's, and Emergency 911 Board's deposits at December 31, 1998 and 1997, were entirely covered by the federal depository insurance or by collateral securities held by the custodial banks in the applicable boards' names.

3. Property Tax

Through December 31, 1998, Webster County had collected $50,362 in excess property taxes. Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales tax collected. Webster County voters enacted a 1/2 cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales taxes received.

4. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $295,742 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $135,380. As of December 31, 1998, $58,490 remains to be paid.

Supplementary Schedule

Schedule

WEBSTER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-8213	$ 114,784	122,391
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	97-ED-10	39,462	0
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	9,960	9,963
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	0	1,509
	Passed through:			
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,069	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-112-3	1,304	22,214
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	0	1,916
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	PG0064-8213	8,555	12,453
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	13,997	15,354
	Department of Health -			

93.6	Child Care and Development Block Grant	PG0067-8213	3,068	473
93.9	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ER0161-0010	5,605	13,732
94.0	Maternal and Child Health Services Block Grant to the States	ER0146-8213	84,361	112,746
	Total Expenditures of Federal Awards		$ 282,165	312,751

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

WEBSTER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Webster County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Webster County, Missouri

Compliance

We have audited the compliance of Webster County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Webster County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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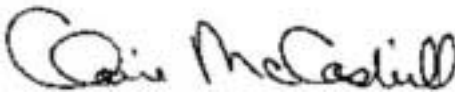
Internal Control Over Compliance

The management of Webster County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Webster County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 3, 1999 (fieldwork completion date)

Schedule

WEBSTER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	__x__ yes	_____ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be a material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	__x__ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.994	Maternal and Child Health Services Block

Grant to the States

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. County Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Webster County voters under the provisions of Section 67.505, RSMo 1994.

Following are the calculations used in determining excess property tax revenues collected for the two years ended December 31, 1998:

	Year Ended December 31,	
	1998	1997
Actual sales tax revenues	$ 761,760	781,104
Required percentage of revenue reduction	X 50 %	50 %
Required property tax revenue reduction	380,880	390,552
Assessed valuation	185,972,246	177,107,663
General Revenue Fund tax levy reduction (per $100 of assessed valuation)	X 0.19	0.22
Actual property tax revenue reduction	353,347	389,637
Excess property tax revenues collected	27,533	915
Excess property tax revenues collected for prior years	22,829	21,914
Excess at December 31,	$ 50,362	22,829

When computing the 1998 property tax rollback, the county did not rollback the $22,829 excess collections from 1997 and prior years due to a calculator error. In addition, higher than projected sales tax collections during the last six months of 1998 resulted in $27,533 in excess collections. The county should consider this $50,362 in excess collections when computing future property tax rollbacks.

WE RECOMMEND the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

AUDITEES RESPONSE AND PLAN FOR CORRECTIVE ACTION

Our annual calculations always include an adjustment because of higher sales tax collections during the last six months of the year. The $27,533 excess which occurred during 1998 for this reason has been adjusted in the 1999 calculation.

The $22,829 excess represents a one-time calculation error, and this has been corrected by an additional one-cent rollback in the 1999 tax levy.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

WEBSTER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

WEBSTER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

1. Economic Development Grant

Federal Grantor:	U.S. Department of Commerce
Pass-Through Grantor:	Not applicable
Federal CFDA Number:	11.307
Program Title:	Economic Adjustment Assistance
Pass-Through Entity Identifying Number:	Not applicable
Award Year:	1996 and 1995
Questioned Costs:	Not applicable

The County Commission did not document that it had adequately monitored the expenditures incurred by the subrecipient of this grant (Marshfield Development League).

Recommendation:

The County Commission properly monitor federal grant subrecipient expenditures to ensure compliance with all federal regulations.

Status:

The County Commission obtained documentation of the grant fund expenditures incurred by the Marshfield Development League. No additional expenditures were incurred subsequent to 1996.

SECTION ON OTHER MATTERS

WEBSTER COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Webster County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 3, 1999. We also have audited the compliance of Webster County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 3, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Webster County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Property Tax Additions and Abatements

   The County Commission and County Clerk do not review and approve tax book additions and abatements and do not charge the County Collector with the applicable changes.

2. Health Center Policies and Procedures

   As noted in our prior report, the Health Center Board obtained lease financing for the new health center building at an interest rate of ten percent, and based on the going interest rates for similar lease financing arrangements, it appears the board could have saved as much as $134,500 over the life of the lease. The board discussed this matter at a meeting and decided to make extra payments in 1998 and 1999 to reduce the lease principal; however, the board has decided to continue with the current lease agreement and has not solicited proposals to refinance the lease.

   In addition, budgets were not accurately prepared and actual expenditures exceeded budgeted expenditures by approximately $89,000 in 1997. Employees are allowed to accumulate annual leave in excess of the Health Center's leave policy. For example, the Health Center Administrator's annual leave balance at December 31, 1998, was 496 hours more than the 336-hour maximum. An employee was paid for sick leave for approximately six weeks; however, the employee was not required to submit a physician statement or other documentation as required by the sick leave policy. Checks are sometimes signed in advance

for routine monthly expenditures. The Health Center's property records do not include the total cost of land and buildings.

This Letter on Other Matters is intended for the information of the management of Webster County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

STODDARD COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-83
September 23, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Stoddard, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Stoddard County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

STODDARD COUNTY, MISSOURI

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STODDARD COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Stoddard County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Stoddard County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Stoddard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Stoddard County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Stoddard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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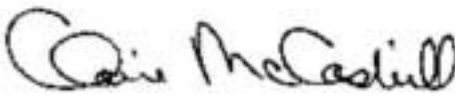
Stoddard County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 11, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

May 11, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Stoddard County, Missouri

We have audited the special-purpose financial statements of various funds of Stoddard County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Stoddard County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Stoddard County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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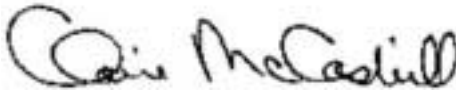
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Stoddard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 11, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

STODDARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,708,111	2,211,399	2,713,108	1,206,402
Special Road and Bridge		1,159,535	1,374,741	1,358,779	1,175,497
Assessment		65,008	235,058	222,283	77,783
Law Enforcement Training		5,192	4,881	5,661	4,412
Prosecuting Attorney Training		4,149	1,248	0	5,397
Drainage Districts		129,328	37,798	3,770	163,356
County Farm		77,455	1,000	20,000	58,455
Prosecuting Attorney Administration		40,851	21,199	26,926	35,124
Recorder's Maintenance		23,109	13,653	13,184	23,578
Domestic Violence		13,087	5,687	0	18,774
Crime Reduction		2,383	1,992	495	3,880
Prosecuting Attorney Delinquent Tax		2,679	1,136	993	2,822
Record Preservation		1,153	15,425	14,497	2,081
911		4,801	1,281	6,082	0
Use Tax		147,027	4,533	98,139	53,421
D.A.R.E.		6,092	191	2,565	3,718
Sheriff's Forfeiture		5,955	169	2,500	3,624
P.O.S.T.C.		2,121	1,468	0	3,589
Capital Improvements		0	591,063	500	590,563
Sheriff's Civil		0	15,133	0	15,133
Associate Circuit Division Interest		5,698	4,627	2,897	7,428
Circuit Division Interest		9,503	7,336	903	15,936
Law Library		3,464	10,554	8,617	5,401
Total	$	3,416,701	4,561,572	4,501,899	3,476,374

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

STODDARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,595,899	2,181,915	2,069,703	1,708,111
Special Road and Bridge		1,024,559	1,401,644	1,266,668	1,159,535
Assessment		55,862	206,651	197,505	65,008
Law Enforcement Training		4,089	4,615	3,512	5,192
Prosecuting Attorney Training		3,272	2,204	1,327	4,149
Drainage Districts		91,764	37,777	213	129,328
County Farm		76,455	1,000	0	77,455
Prosecuting Attorney Administration		27,811	30,490	17,450	40,851
Recorder's Maintenance		21,884	13,202	11,977	23,109
Domestic Violence		7,058	6,029	0	13,087
Crime Reduction		5,508	3,802	6,927	2,383
Prosecuting Attorney Delinquent Tax		1,977	1,917	1,215	2,679
Record Preservation		9,458	3,035	11,340	1,153
911		247,695	270,180	513,074	4,801
Use Tax		133,830	13,197	0	147,027
D.A.R.E.		6,806	3,279	3,993	6,092
Sheriff's Forfeiture		201	5,944	190	5,955
P.O.S.T.C.		793	1,358	30	2,121
Associate Circuit Division Interest		3,048	2,672	22	5,698
Circuit Division Interest		4,358	7,281	2,136	9,503
Law Library		445	9,214	6,195	3,464
Total	$	3,322,772	4,207,406	4,113,477	3,416,701

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 297,386	322,688	25,302	293,390	283,335	-10,055
Sales taxes	950,000	956,271	6,271	975,000	926,888	-48,112
Intergovernmental	492,500	485,528	-6,972	414,100	491,039	76,939
Charges for services	290,600	316,363	25,763	266,000	291,739	25,739
Interest	125,000	93,386	-31,614	85,000	141,732	56,732
Other	46,900	37,163	-9,737	47,285	47,182	-103
Total Receipts	2,202,386	2,211,399	9,013	2,080,775	2,181,915	101,140
DISBURSEMENTS						
County Commission	60,525	59,359	1,166	60,525	59,179	1,346
County Clerk	81,300	76,425	4,875	79,860	76,451	3,409
Elections	115,896	104,377	11,519	86,456	72,843	13,613
Buildings and grounds	101,201	86,282	14,919	104,949	87,645	17,304
Employee fringe benefits	385,000	331,936	53,064	345,000	286,737	58,263
County Treasurer/Ex Officio Collector	113,174	109,263	3,911	99,571	94,913	4,658
Recorder of Deeds	89,269	87,760	1,509	87,209	85,313	1,896
Circuit Clerk	32,500	25,851	6,649	34,000	29,787	4,213
Associate Circuit Court	21,000	14,613	6,387	20,700	12,697	8,003
Associate Circuit (Probate)	25,250	20,865	4,385	22,250	21,362	888
Court administration	14,753	9,167	5,586	14,648	8,990	5,658
Public Administrator	15,950	14,795	1,155	17,300	17,188	112
Sheriff	622,906	620,961	1,945	557,740	555,902	1,838
Juvenile Services	313,502	300,011	13,491	287,108	262,372	24,736
Prosecuting Attorney	130,921	116,685	14,236	127,266	118,687	8,579
County Coroner	19,050	11,712	7,338	15,250	15,178	72
Public health and welfare services	5,000	3,500	1,500	5,500	3,000	2,500
Reimbursement to school districts	35,000	0	35,000	100,000	87,860	12,140
Building improvements	48,500	4,419	44,081	138,000	39,848	98,152
Other	184,900	125,344	59,556	174,950	128,318	46,632
Transfers Out	575,000	589,300	-14,300	0	0	0
Emergency Fund	80,000	483	79,517	80,000	5,433	74,567
Total Disbursements	3,070,597	2,713,108	357,489	2,458,282	2,069,703	388,579
RECEIPTS OVER (UNDER) DISBURSEMENTS	-868,211	-501,709	366,502	-377,507	112,212	489,719
CASH, JANUARY 1	1,708,111	1,708,111	0	1,595,899	1,595,899	0
CASH, DECEMBER 31	$ 839,900	1,206,402	366,502	1,218,392	1,708,111	489,719

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,380,000	1,323,056	-56,944	1,325,000	1,337,339	12,339
Interest	60,000	51,685	-8,315	37,000	64,305	27,305
Total Receipts	1,440,000	1,374,741	-65,259	1,362,000	1,401,644	39,644
DISBURSEMENTS						
CART allocations	1,159,535	1,099,699	59,836	1,024,559	986,021	38,538
Bridge reimbursements	450,000	253,207	196,793	300,000	272,071	27,929
Road and bridge materials	20,000	5,873	14,127	20,000	7,349	12,651
Other	0	0	0	0	1,227	-1,227
Total Disbursements	1,629,535	1,358,779	270,756	1,344,559	1,266,668	77,891
RECEIPTS OVER (UNDER) DISBURSEMENTS	-189,535	15,962	205,497	17,441	134,976	117,535
CASH, JANUARY 1	1,159,535	1,159,535	0	1,024,559	1,024,559	0
CASH, DECEMBER 31	$ 970,000	1,175,497	205,497	1,042,000	1,159,535	117,535

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 213,300	229,830	16,530	232,750	199,231	-33,519
Interest	7,000	5,195	-1,805	4,500	7,326	2,826
Other	0	33	33	0	94	94
Total Receipts	220,300	235,058	14,758	237,250	206,651	-30,599
DISBURSEMENTS						
Assessor	270,212	222,283	47,929	263,228	197,505	65,723
Total Disbursements	270,212	222,283	47,929	263,228	197,505	65,723
RECEIPTS OVER (UNDER) DISBURSEMENTS	-49,912	12,775	62,687	-25,978	9,146	35,124
CASH, JANUARY 1	65,008	65,008	0	55,862	55,862	0
CASH, DECEMBER 31	$ 15,096	77,783	62,687	29,884	65,008	35,124

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

STODDARD COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,000	4,704	-296	5,200	4,278	-922
Interest	150	177	27	75	337	262
Total Receipts	5,150	4,881	-269	5,275	4,615	-660
DISBURSEMENTS						
Sheriff	6,000	5,661	339	6,000	3,512	2,488
Total Disbursements	6,000	5,661	339	6,000	3,512	2,488
RECEIPTS OVER (UNDER) DISBURSEMENTS	-850	-780	70	-725	1,103	1,828
CASH, JANUARY 1	5,192	5,192	0	4,089	4,089	0
CASH, DECEMBER 31	$ 4,342	4,412	70	3,364	5,192	1,828

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,500	1,022	-1,478	2,900	1,961	-939
Interest	125	226	101	75	243	168
Total Receipts	2,625	1,248	-1,377	2,975	2,204	-771
DISBURSEMENTS						
Prosecuting Attorney	3,000	0	3,000	3,000	1,327	1,673
Total Disbursements	3,000	0	3,000	3,000	1,327	1,673
RECEIPTS OVER (UNDER) DISBURSEMENTS	-375	1,248	1,623	-25	877	902
CASH, JANUARY 1	4,149	4,149	0	3,272	3,272	0
CASH, DECEMBER 31	$ 3,774	5,397	1,623	3,247	4,149	902

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRAINAGE DISTRICTS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 30,000	31,469	1,469	30,000	28,844	-1,156
Interest	5,000	6,329	1,329	3,100	8,933	5,833
Total Receipts	35,000	37,798	2,798	33,100	37,777	4,677
DISBURSEMENTS						
Other	50,000	3,770	46,230	50,000	213	49,787
Total Disbursements	50,000	3,770	46,230	50,000	213	49,787
RECEIPTS OVER (UNDER) DISBURSEMENTS	-15,000	34,028	49,028	-16,900	37,564	54,464
CASH, JANUARY 1	129,328	129,328	0	91,764	91,764	0
CASH, DECEMBER 31	$ 114,328	163,356	49,028	74,864	129,328	54,464

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY FARM FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 1,000	1,000	0	2,500	1,000	-1,500
Total Receipts	1,000	1,000	0	2,500	1,000	-1,500
DISBURSEMENTS						
Access road	0	20,000	-20,000	0	0	0
Other	75,000	0	75,000	75,000	0	75,000
Total Disbursements	75,000	20,000	55,000	75,000	0	75,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-74,000	-19,000	55,000	-72,500	1,000	73,500
CASH, JANUARY 1	77,455	77,455	0	76,455	76,455	0
CASH, DECEMBER 31	$ 3,455	58,455	55,000	3,955	77,455	73,500

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY ADMINISTRATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	0	1,943	1,943
Charges for services	20,000	19,667	-333	17,000	25,874	8,874
Interest	2,000	1,532	-468	800	2,609	1,809
Other	0	0	0	0	64	64
Total Receipts	22,000	21,199	-801	17,800	30,490	12,690
DISBURSEMENTS						
Salaries and fringe benefits	5,500	4,056	1,444	5,500	1,163	4,337
Equipment	0	1,975	-1,975	0	4,277	-4,277
SEMO Regional Crime Laboratory	0	6,250	-6,250	0	500	-500
Other	23,000	14,645	8,355	15,000	11,510	3,490
Total Disbursements	28,500	26,926	1,574	20,500	17,450	3,050
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,500	-5,727	773	-2,700	13,040	15,740
CASH, JANUARY 1	40,851	40,851	0	27,811	27,811	0
CASH, DECEMBER 31	$ 34,351	35,124	773	25,111	40,851	15,740

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S MAINTENANCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 11,500	12,766	1,266	11,000	11,136	136
Interest	1,500	887	-613	900	2,066	1,166
Total Receipts	13,000	13,653	653	11,900	13,202	1,302
DISBURSEMENTS						
Recorder of Deeds	24,161	13,184	10,977	21,883	11,977	9,906
Total Disbursements	24,161	13,184	10,977	21,883	11,977	9,906
RECEIPTS OVER (UNDER) DISBURSEMENTS	-11,161	469	11,630	-9,983	1,225	11,208
CASH, JANUARY 1	23,109	23,109	0	21,884	21,884	0
CASH, DECEMBER 31	$ 11,948	23,578	11,630	11,901	23,109	11,208

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,200	5,069	-131	5,100	5,234	134
Interest	650	618	-32	300	795	495
Total Receipts	5,850	5,687	-163	5,400	6,029	629
DISBURSEMENTS						
Domestic violence shelters	10,000	0	10,000	5,500	0	5,500
Total Disbursements	10,000	0	10,000	5,500	0	5,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,150	5,687	9,837	-100	6,029	6,129
CASH, JANUARY 1	13,087	13,087	0	7,058	7,058	0
CASH, DECEMBER 31	$ 8,937	18,774	9,837	6,958	13,087	6,129

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIME REDUCTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,500	1,869	-1,631	5,000	3,415	-1,585
Interest	300	123	-177	300	387	87
Total Receipts	3,800	1,992	-1,808	5,300	3,802	-1,498
DISBURSEMENTS						
Major case squad	3,000	495	2,505	2,000	253	1,747
SEMO drug task force	0	0	0	2,000	2,000	0
Other	0	0	0	3,000	4,674	-1,674
Total Disbursements	3,000	495	2,505	7,000	6,927	73
RECEIPTS OVER (UNDER) DISBURSEMENTS	800	1,497	697	-1,700	-3,125	-1,425
CASH, JANUARY 1	2,383	2,383	0	5,508	5,508	0
CASH, DECEMBER 31	$ 3,183	3,880	697	3,808	2,383	-1,425

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,500	1,038	-462	1,000	1,471	471
Interest	300	98	-202	250	446	196
Total Receipts	1,800	1,136	-664	1,250	1,917	667
DISBURSEMENTS						
Prosecuting Attorney	2,000	993	1,007	2,000	1,215	785
Total Disbursements	2,000	993	1,007	2,000	1,215	785
RECEIPTS OVER (UNDER) DISBURSEMENTS	-200	143	343	-750	702	1,452
CASH, JANUARY 1	2,679	2,679	0	1,977	1,977	0
CASH, DECEMBER 31	$ 2,479	2,822	343	1,227	2,679	1,452

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORD PRESERVATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 851	813	-38	3,500	1,984	-1,516
Interest	0	210	210	0	1,051	1,051
Other	0	102	102	0	0	0
Transfers in	14,300	14,300	0	5,000	0	-5,000
Total Receipts	15,151	15,425	274	8,500	3,035	-5,465
DISBURSEMENTS						
Salaries	7,020	6,777	243	6,500	6,125	375
Employee fringe benefits	575	518	57	500	468	32
Office expenses	2,250	1,683	567	2,400	1,851	549
Equipment	1,450	1,440	10	2,900	2,896	4
Microfilming	5,000	4,079	921	5,000	0	5,000
Total Disbursements	16,295	14,497	1,798	17,300	11,340	5,960
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,144	928	2,072	-8,800	-8,305	495
CASH, JANUARY 1	1,153	1,153	0	9,458	9,458	0
CASH, DECEMBER 31	$ 9	2,081	2,072	658	1,153	495

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 1,199	1,281	82	8,000	22,359	14,359
Telephone taxes	0	0	0	243,500	247,821	4,321
Total Receipts	1,199	1,281	82	251,500	270,180	18,680
DISBURSEMENTS						
Salaries	0	0	0	41,816	41,816	0
Employees fringe benefits	0	0	0	23,700	11,148	12,552
Office expenses	0	0	0	6,500	2,574	3,926
Equipment	0	0	0	17,050	19,867	-2,817
Mileage and training	0	0	0	11,600	7,469	4,131
Equipment reserve	0	0	0	46,150	8,216	37,934
Other	6,000	210	5,790	97,500	81,659	15,841
Funds transferred to 911 Board	0	5,872	-5,872	268,560	340,325	-71,765
Total Disbursements	6,000	6,082	-82	512,876	513,074	-198
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,801	-4,801	0	-261,376	-242,894	18,482
CASH, JANUARY 1	4,801	4,801	0	247,695	247,695	0
CASH, DECEMBER 31	$ 0	0	0	-13,681	4,801	18,482

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 10,000	4,533	-5,467	0	13,197	13,197
Total Receipts	10,000	4,533	-5,467	0	13,197	13,197
DISBURSEMENTS						
Repayment to state	0	98,139	-98,139	0	0	0
Total Disbursements	0	98,139	-98,139	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,000	-93,606	-103,606	0	13,197	13,197
CASH, JANUARY 1	147,027	147,027	0	133,830	133,830	0
CASH, DECEMBER 31	$ 157,027	53,421	-103,606	133,830	147,027	13,197

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
D.A.R.E. FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 0	191	191	0	585	585
Other	3,000	0	-3,000	4,000	2,694	-1,306
Total Receipts	3,000	191	-2,809	4,000	3,279	-721
DISBURSEMENTS						
Sheriff	4,000	2,565	1,435	4,000	3,993	7
Total Disbursements	4,000	2,565	1,435	4,000	3,993	7
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,000	-2,374	-1,374	0	-714	-714
CASH, JANUARY 1	6,092	6,092	0	6,806	6,806	0
CASH, DECEMBER 31	$ 5,092	3,718	-1,374	6,806	6,092	-714

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S FORFEITURE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	0	5,828	5,828
Interest	0	169	169	0	57	57
Other	3,000	0	-3,000	250	59	-191
Total Receipts	3,000	169	-2,831	250	5,944	5,694
DISBURSEMENTS						
Mileage and training	3,700	2,500	1,200	0	0	0
Other	0	0	0	0	190	-190
Total Disbursements	3,700	2,500	1,200	0	190	-190
RECEIPTS OVER (UNDER) DISBURSEMENTS	-700	-2,331	-1,631	250	5,754	5,504
CASH, JANUARY 1	5,955	5,955	0	201	201	0
CASH, DECEMBER 31	$ 5,255	3,624	-1,631	451	5,955	5,504

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
P.O.S.T.C. FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 2,000	1,374	-626	5,000	1,324	-3,676
Interest	0	94	94	0	34	34
Total Receipts	2,000	1,468	-532	5,000	1,358	-3,642
DISBURSEMENTS						
Mileage and training	1,500	0	1,500	0	30	-30
Total Disbursements	1,500	0	1,500	0	30	-30
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,468	968	5,000	1,328	-3,672
CASH, JANUARY 1	2,121	2,121	0	793	793	0
CASH, DECEMBER 31	$ 2,621	3,589	968	5,793	2,121	-3,672

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

STODDARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 0	16,063	16,063
Transfers in	575,000	575,000	0
Total Receipts	575,000	591,063	16,063
DISBURSEMENTS			
Other	0	500	-500
Total Disbursements	0	500	-500
RECEIPTS OVER (UNDER) DISBURSEMENTS	575,000	590,563	15,563
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 575,000	590,563	15,563

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Stoddard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Sheriff’s Civil Fund	1998

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
911 Fund	1998 and 1997
Use Tax Fund	1998

Capital Improvements Fund	1998
Sheriff's Forfeiture Fund	1997
P.O.S.T.C. Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the 911 Fund for the year ended December 31, 1997.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Special Road and Bridge Fund	1997
Assessment Fund	1997
Law Enforcement Training Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

Of the county's bank balance at December 31, 1998, $387,648 was covered by federal depositary insurance and $3,424,243 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Of the county's bank balance at December 31, 1997, $252,809 was covered by federal depositary insurance and $3,803,767 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Supplementary Schedule

Schedule

STODDARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	IN-103-009	$ 399	929
10.6	National School Lunch Program	N/A	1,805	8,748
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9204	83,271	93,383
10.6	Summer Food Service Program for Children	ER0146-98-204	990	0
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
12.unknown	Department of Public Safety - surplus property	N/A	45	3,896
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	95EM001	0	581
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	95CFWX1931	19,268	19,881
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	2,500	2,133
	Passed through:			
	State Department of Public Safety -			
16.6	Local Law Enforcement Block Grants Program	96-LBG-115	0	8,865
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,511	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO 103-19	0	181,189
		BRO 103-25	97,606	11,200
		BRO 103-30	112,474	0

			BRO 103-31	0	66,912
			BRO 103-32	25,407	0
			BRO 103-39	17,720	12,770
		Program Total		253,207	272,071
	GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -				
39.0		Donation of Federal Surplus Personal Property	N/A	1,107	475
::					
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:				
	Department of Health -				
93.3		Immunization Grants	PG0064-9204	5,885	6,650
	Department of Social Services -				
93.6		Child Support Enforcement	N/A	18,106	27,696
	Department of Health -				
93.6		Child Care and Development Block Grant	ER0146-9204	3,542	2,299
			PG0067-9204	2,500	365
		Program Total		6,042	2,664
	Department of Social Services -				
93.7		Social Service Block Grant Juvenile Court			
		Diversion Program	ERO172062	0	1,004
			ERO172042	0	1,239
			ERO172075	31,947	1,398
		Program Total		31,947	3,641
93.9		Cooperative Agreements for State-Based			
		Comprehensive Breast and Cervical Cancer			
		Early Detection Programs	ER0161-90075	9,668	18,785
94.0		Maternal and Child Health Services			
		Block Grant to the States	ER0146-9204	47,663	61,355
		Total Expenditures of Federal Awards		$ 483,414	531,753

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

STODDARD COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Stoddard County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and the Department of Public Safety-Surplus Property Program (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $253,207 and $272,071 to subrecipients under the Off-System Bridge Replacement and Rehabilitation Program (CFDA number 20.205) during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Stoddard County, Missouri

Compliance

We have audited the compliance of Stoddard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Stoddard County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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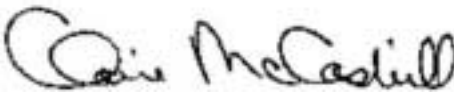
Internal Control Over Compliance

The management of Stoddard County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Stoddard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 11, 1999 (fieldwork completion date)

Schedule

STODDARD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Noncompliance material to the financial statements noted?	_____ yes	x no

Federal Awards

Internal control over major program:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	x no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

STODDARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

STODDARD COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

5. Sheriff's Property Acquisition Procedures

Federal Grantor: U. S. Department of Defense
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: Not applicable
Program Title: Surplus Property
Pass-Through Entity
Identifying Number: Not applicable
Award Year: 1996 and 1995
Questioned Costs: $33,810

The Sheriff obtained two helicopters along with various items for the support and maintenance of the helicopters from the U.S. Department of Defense through the state Department of Public Safety. These items were not approved for receipt by the County Commission, were not recorded on county fixed asset records, and were operated under the Sheriff's Reserve organization in the county's name.

Recommendation:

The Sheriff only obtain such items with the approval of the County Commission. The Commission and the Sheriff should work together to ensure federal compliance requirements are met. In addition, the County Commission and the Sheriff should contact the Department of Public Safety to determine the correct course of action to take in regards to the ownership, use, and operation of the helicopters and other donated federal property.

Status:

The Sheriff and the County Commission are working together to meet federal compliance requirements. However, we have not contacted the Department of Public Safety regarding this issue and the Department of Public Safety has not made a management decision regarding this issue.

SECTION ON OTHER MATTERS

STODDARD COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Stoddard County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 11, 1999. We also have audited the compliance of Stoddard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 11, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Stoddard County and of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. County Expenditures

   The County Commission has no assurance payments made to the Sheriff totaling more than $118,000 for preparing and serving meals to prisoners during the two years ended December 31, 1998, are reasonable and based on costs incurred by the Sheriff. The County Commission reimbursed the Sheriff for meals at a daily rate of $3.25 per prisoner during this period. The County Commission does not receive and does not review invoices supporting the actual food costs incurred by the Sheriff.

2. CART Distributions

   Distributions totaling approximately $1,099,000 were made to the special road districts and townships without obtaining written contracts with the special road districts and townships for the year ended December 31, 1998.

3. County Clerk's Procedures

   The County Clerk does not prepare the back tax books or verify the back tax book totals for real estate or personal property taxes. The County Clerk does not maintain an account book with the Ex Officio Collector and does not maintain general fixed asset records.

4. County Treasurer's Procedures

Receipt slips issued by the County Treasurer's office are not prenumbered and the method of payment received (cash, check, and money order) is not indicated. At December 31, 1998, twenty-one checks totaling $4,827 had been outstanding in excess of one year.

5. Federal Awards

The county did not comply with federal regulations limiting construction engineering charges to 15 percent of construction costs excluding construction engineering costs, preliminary engineering costs, and right-of-way costs. As a result, the county received excess reimbursement of $1,265.

This Letter on Other Matters is intended for the information of the management of Stoddard County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

CITY OF BROWNINGTON, MISSOURI

YEAR ENDED JUNE 30, 1999

From The Office Of State Auditor
Claire McCaskill

Report No. 99-82
September 23, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Brownington, Missouri.

In 1885 Brownington was incorporated as a village; however, the governing body of Brownington has been operating as a fourth class city for many years. Brownington elects a Mayor and a Board of Aldermen similar to a fourth class city, and levies and collects taxes consistent with the laws governing a fourth class city. In addition, numerous ordinances and official records refer to Brownington as a city.

While state law allows voters within the Village to elect by majority vote to become a fourth class city, there is no documentation to indicate that the classification of Brownington was ever officially changed from a village to a fourth class city. We recommend the Board of Aldermen consult legal counsel to determine the status of Brownington's classification.

The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past several years, bids were either not solicited or bid documentation was not kept in some instances.

A company owned by the brother of a board member was paid $2,355 in October 1997, for siding for the city's community building. The minutes of the board meeting where this purchase was discussed do not include details of the vote by specific board members, and give no indication that the brother abstained from voting on this purchase. While city officials indicate that the city paid a wholesale price for the siding, there is no indication that bids were obtained from any other source.

Discussions and decisions concerning transactions where a potential conflict of interest exists should be completely documented so that the public has assurance that no city official or agent has improperly profited.

The City receives state motor vehicle-related revenues and deposits them into its General Fund. The Missouri Constitution requires motor vehicle-related revenues apportioned by the State of Missouri be expended for street-related purposes. The city has not established a spearate fund or separate accounting for those revenues and expenditures and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

The city does not prepare and adopt annual budgets. State law requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

(over)

FACT SHEET

The city's ordinance book is not complete. Several ordinance numbers are not included in the book, two ordinances have the same number, and there is no index of all ordinances passed by the city. Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete, well organized, and up-to-date manner. Such items as duties and compensation of city officials and the annual tax levy should be set forth in the ordinances to give the taxpayers information on how the city is to be governed.

The City Clerk also serves as the City Treasurer, and with the exception of property tax collection, is responsible for most of the record keeping duties of the city. To safeguard against possible loss or misuse of funds, internal controls could be improved by segregating duties to the extent possible.

An annual maintenance plan for city streets has not been prepared. We recommend the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

CITY OF BROWNINGTON, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Brownington
Deepwater, Missouri 64740

The State Auditor was petitioned under Section 29.230, RSMO, to audit the city of Brownington, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

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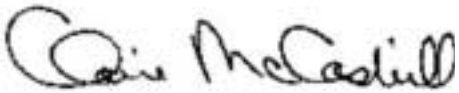
The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Brownington, Missouri.



Claire McCaskill
State Auditor

July 12, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF BROWIINGTON, MISSOURI
HISTORY AND ORGANIZATION

The city of Brownington is located in Henry County. Brownington was incorporated in 1885 as a village, but has been operating as a fourth-class city for many years. The population of the city in 1990 was 84.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1999, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended June 30, 1999
Kenneth Miller, Mayor	April 2000	$ 0
Barry Denison, Alderman	April 2001	0
Jim Pogue, Alderman	April 2000	0
Roscoe Walker, Alderman	April 2001	0
Russell Williams, Alderman	April 2000	0
Other Principal Officials		
Carrie Lasswell, City Clerk		0
Kay Pogue, City Collector		$ 0

Assessed valuation and tax rate information for 1998 and 1997 are as follows:

ASSESSED VALUATION

		1998	1997
Real estate	$	169,050	165,330
Personal property		103,700	92,360
Railroad and utilities		48,108	54,265
Total	$	320,858	311,955

TAX RATES PER $100 ASSESSED VALUATION

General	$	.61	.60

::

A summary of the financial activity for the city of Brownington is presented below:

	Year Ended June 30,	
	1999	1998

RECEIPTS:			
Property taxes	$	1,753	1,374
Franchise taxes		1,982	2,083
Motor fuel and motor vehicle taxes		3,078	3,275
Railroad and utility taxes		282	313
Poll rent		70	70
Sale of culverts		0	190
Miscellaneous		17	0
Total Receipts		7,182	7,305
DISBURSEMENTS:			
Office expense		121	117
Maintenance and repair of building		210	5,391
Streets		6,075	4,603
Utilities		492	690
Insurance		327	327
Election costs		92	118
Salaries		0	50
Total Disbursements		7,317	11,296
RECEIPTS OVER (UNDER) DISBURSEMENTS		-135	-3,991
CASH BALANCE, July 1,		5,855	9,846
CASH BALANCE, June 30,	$	5,720	5,855

MANAGEMENT ADVISORY REPORT SECTION

CITY OF BROWNINGTON
SUMMARY OF FINDINGS

1. City Classification (page 8)

   The city is operating as a fourth class city but no documentation can be located to indicate the classification was ever officially changed from a village to a fourth class city.

2. Expenditures (pages 8-10)

   The city does not have formal written bidding procedures. The city paid $2,355 to a business owned by the brother of a board member which represents a potential conflict of interest. The city has not established a separate fund or accounting for motor vehicle-related receipts to ensure these amounts are spent only on street-related purposes.

3. Budgets and Financial Reporting (pages 10-11)

   The city does not prepare or adopt annual budgets, semi-annual financial statements have not been published, and some annual financial reports have not been filed with the State Auditor's office as required by state law.

4. Property Tax Procedures (pages 11-12)

   No independent verification of the tax books is performed. The City Collector does not prepare annual reports of tax collections and delinquent taxes. The City Collector does not charge the correct penalty on delinquent taxes.

5. Ordinances, Board Minutes, and Records (pages 12-14)

   The city's ordinances are not complete and up-to-date, and ordinances have not been established in all instances where needed. The board minutes are not signed by the Mayor or a designated member of the board to attest to the accuracy. The tentative agendas posted for each board meeting do not disclose specific information to be discussed. The city's ordinances regarding public access to city records is not adequate.

6. Accounting Controls and Procedures (pages 14-15)

   A separate individual has not been appointed to serve as City Treasurer and there is no independent review or supervision of the work performed by the City Clerk. Receipt slips are not issued for monies received. Checks and money orders are not restrictively endorsed until the deposit is prepared. City officials are not bonded.

7. Street Maintenance Plan (pages 15-16)

   An annual maintenance plan for city streets has not been prepared.

CITY OF BROWNINGTON, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

1. City Classification

In 1885 Brownington was incorporated as a village; however, the governing body of Brownington has been operating as a fourth class city for many years. Brownington elects a Mayor and a Board of Aldermen similar to a fourth class city, and levies and collects taxes consistent with the laws governing a fourth class city. In addition, numerous ordinances and official records refer to Brownington as a city.

While Section 72.040, RSMo 1994, allows voters within the Village to elect by majority vote to become a fourth class city, there is no documentation to indicate that the classification of Brownington was ever officially changed from a village to a fourth class city.

To alleviate citizen concern on this issue, and ensure that the city is operating within the appropriate section of the statutes, the Board of Aldermen should review this situation with an attorney. If the classification has not legally been changed to a fourth class city, the board should consider securing a vote to approve the change to a fourth class city.

WE RECOMMEND the Board of Aldermen consult legal counsel to determine the city of Brownington's classification.

AUDITEE'S RESPONSE

The city will consult with legal counsel.

2. Expenditures

A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past several years, bids were either not solicited or bid documentation was not retained in some instances. Examples include $1,624 for gravel and $1,231 for hauling gravel.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business.

Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. A company owned by the brother of a board member was paid $2,355 in October 1997, for siding for the city's community building. The minutes of the board meeting where this purchase was discussed do not include details of the vote by specific board members, and give no indication that the brother abstained from voting on this purchase. While city officials indicate that the city paid a wholesale price for the siding, there is no indication that bids were obtained from any other source.

Discussions and decisions concerning transactions where a potential conflict of interest exists should be completely documented so that the public has assurance that no city official or agent has profited improperly. In addition the Board of Aldermen should consider establishing a policy which addresses these types of situations and provides a code of conduct for city officials.

C. The city receives state motor vehicle-related revenues and deposits them into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate fund or separate accounting for those revenues and expenditures and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

During the year ended June 30, 1999 the city deposited $3,078 in state motor vehicle related-revenues into the General Fund, and spent $6,075 for street repair. However, during the four years ended June 30, 1999, state motor vehicle-related revenues totaled $12,189 compared to total street-related expenditures of $11,468.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution. The unspent balance of street revenues should be accounted for separately along with future receipts.

WE RECOMMEND the Board of Aldermen:

A. Establish formal bidding policies and procedures.

B. Avoid apparent conflicts of interest. Also, in the future, if a relative of a board member is considered to provide services for the city, that member should abstain from voting on the purchase and that action should be adequately documented in the board minutes.

C. Establish a separate fund or accounting of state motor vehicle-related revenues to ensure funds are spent in accordance with the Missouri Constitution.

AUDITEE'S RESPONSE

A. The Board concurs and will look into establishing a bidding policy.

B. In the future, the city will ensure that similar situations are documented in the board minutes.

C. We will implement this recommendation.

3. Budgets and Financial Reporting

A. The city does not prepare and adopt annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

B. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.

C. Annual financial reports have not consistently been filed with the State Auditor's office. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's office.

WE RECOMMEND the Board of Aldermen:

A. Prepare annual budgets in accordance with state law, and make periodic comparisons between budgeted and actual revenues and expenditures.

B. Publish semi-annual financial statements as required by state law.

C. Submit annual reports of financial transactions to the State Auditor's office as required by state law.

AUDITEE'S RESPONSE

A. As soon as we obtain some example budget forms, we will begin work on preparing city budgets.

B&C. We plan to implement these recommendations.

4. Property Tax Procedures

A. The City Collector manually prepares the tax books from assessment data received from the county. No independent verification of the tax book information or totals is performed by the City Clerk.

Section 94.290, RSMo 1994, requires the city clerk to make the tax books and charge the city collector with the full amount of taxes levied. Without this proper segregation of duties between the City Clerk and City Collector, the internal control over this process is weakened. Verification of tax book information and totals is necessary to ensure the amount of taxes charged to the City Collector is complete and accurate.

B. The City Collector does not prepare annual reports of tax collections and delinquent taxes. Sections 79.310 and 94.320, RSMo 1994, require the City Collector to make annual reports of tax collections and delinquent taxes.

Detailed annual reports which comply with state law and are classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements, and additions. Without such a report, examined by the Board of Aldermen, any errors or irregularities that might occur are likely to go undetected.

C. The City Collector does not charge the correct penalty on delinquent taxes. The City Collector currently charges no penalty for taxes paid within one year of being due, and 18 percent for each full year the taxes are delinquent after the first year. Section 140.100.1, RSMo 1994, currently provides a penalty of two percent per month up to a maximum of 18 percent per year for each delinquent tax bill.

WE RECOMMEND the Board of Aldermen:

A. Require the City Clerk to extend the current tax books and charge the City Collector with the amount of taxes, or at a minimum, document procedures performed to verify the accuracy of the tax book totals.

B. Require the City Collector to prepare detailed annual reports as required by state law which summarize property tax activity and which can be used to facilitate the reconciliation of taxes charged, taxes collected, and delinquent taxes.

C. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.

AUDITEE'S RESPONSE

A. In the future, the accuracy of the tax book totals will be verified.

B. We intend to implement this recommendation.

C. This has already been implemented.

5. Ordinances, Board Minutes, and Records

A. Our review of the city ordinances disclosed the following concerns:

1. The city's ordinance book is not complete. Several ordinance numbers are not included in the book, two ordinances have the same number, and there is no index of all ordinances passed by the city.

2. The city has not adopted a formal description of the duties of city officials or fixed the compensation of the City Collector by ordinance. Also, the city has not adopted an ordinance establishing the term of office for the City Clerk. Section 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials to be set by ordinance. Section 79.320, RSMo 1994, requires the term of office of the City Clerk be fixed by ordinance.

3. The city has not prepared ordinances to document the approved tax levy for each year. Section 94.210, RSMo 1994, states the board of aldermen shall fix the annual rate of tax levy by ordinance for each tax year.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a

complete, well organized, and up-to-date manner. Such items as duties and compensation of city officials and the annual tax levy should be set forth in the ordinances to give the taxpayers information on how the city is to be governed.

B. The board minutes are prepared and signed by the City Clerk, but the minutes are not signed by the Mayor. The board minutes should be signed by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

C. A tentative agenda is prepared and posted for each board meeting; however, the agenda is usually in a standard form and does not disclose specific information to be discussed for the upcoming meeting.

To adequately inform the residents of the business to be discussed during the board meeting and to ensure compliance with the Sunshine Law, the tentative agenda should summarize the topics to be discussed during the meeting.

D. The city has an ordinance regarding public access to city records, but the policy does not provide citizens with a name and address where requests should be sent. In addition, the city has not appointed a custodian to be responsible for city records. The city does not have a city hall and city records are maintained at the personal residences of various city officials.

Section 610.023, RSMo Cumulative Supp. 1998 indicates that each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records and establishes guidelines for making city records available to the public. To ensure compliance with state law, the city's policy should indicate the location of city records, the persons responsible for maintaining each record, and detailed instructions for citizens to request access to public records and how the city will handle these requests.

WE RECOMMEND the Board of Aldermen:

A. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.

B. Ensure board minutes are signed by the Mayor to attest to their completeness and accuracy.

C. Require the tentative agenda to summarize the topics to be discussed during the board meeting.

D. Establish written policies and procedures regarding the location of and public access to city records as required by state law.

AUDITEE'S RESPONSE

A. We will start by preparing an index and work on updating existing ordinances and pass new ordinances as required.

B&C. These recommendations have already been implemented.

D. We will expand our current ordinance to address these issues.

6. Accounting Controls and Procedures

A. The City Clerk also serves as the City Treasurer, and with the exception of the functions related to the collection of property taxes, this individual is responsible for most of the record keeping duties of the city. These duties include receiving and depositing monies, preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing monthly financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not feasible, the Board of Aldermen should, at a minimum, require someone having no access to cash and no record keeping responsibilities receive and review the bank statements and bank reconciliations.

B. Receipt slips are not issued for all monies received. To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received. The receipt slips should indicate the method of payment (ie. cash, checks, or money orders) and the composition should be reconciled to the bank deposits on a periodic basis.

C. Checks and money orders received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. The City Clerk, the Mayor, and two of the Aldermen are authorized to sign checks; however, none of these officials are bonded. In addition, the City Collector is responsible for collecting all city taxes and is not bonded. Failure to bond all persons with access to assets exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

A. Provide for an adequate segregation of duties or the performance of independent reconciliations and reviews of the accounting records.

B. Require prenumbered receipt slips to be issued for all monies received. In addition, the method of payment should be recorded on the receipt slips and the composition of receipts should be reconciled to deposits on a periodic basis.

C. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

D. Obtain bond coverage for all persons with access to city assets.

AUDITEE'S RESPONSE

A. This recommendation has been implemented. All board members and the mayor currently review bank statements and financial reports.

B&C. We will implement these recommendations.

D. We will look into obtaining bond coverage.

7. Street Maintenance Plan

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

We do not feel a formal plan will improve our situation. If a road needs gravel, we will gravel it. If a road needs grading, we have it graded.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

PEMISCOT COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-81
September 22, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Pemiscot, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Pemiscot County included additional areas of county operations, as well as the elected county officials.

< The County had not prepared or obtained budgets for several county funds, and approved disbursements in excess of budgeted amounts for several other county funds.

The audit made recommendations and suggestions to improve the county's financial statement procedures, expenditure procedures and practices, as well as the monitoring of collateral securities pledged by those banks which hold county monies in various accounts. Also included in the audit are recommendations to improve the accounting controls and procedures for the County Clerk, County Collector, and Recorder of Deeds.

<u>Copies of the audit are available upon request</u>.

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Pemiscot County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling $585,277 and $312,031 in receipts, and $610,164 and $246,761 in disbursements for the years ended December 31, 1998 and 1997, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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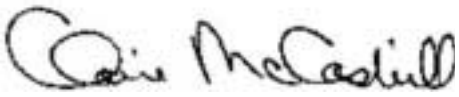
In our opinion, except for the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Pemiscot County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 22, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Pemiscot County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 22, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the special-purpose financial statements of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 22, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Pemiscot County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 and 98-2. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Pemiscot County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial

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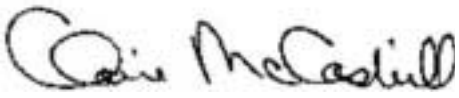
reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 and 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above, finding numbers 98-1 and 98-2 to be material weaknesses. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Pemiscot County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 22, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	270,914	1,807,681	1,880,516	198,079
Special Road and Bridge		412,032	1,030,768	923,132	519,668
Assessment		-112,024	117,891	142,796	-136,929
Law Enforcement Training		4,993	18,579	12,924	10,648
Prosecuting Attorney Training		3,789	8,126	4,062	7,853
Drug Abuse Resistance Education		1,391	24,413	28,451	-2,647
Bootheel Drug Task Force		31,780	126,543	143,181	15,142
Landfill		294	0	622	-328
Firing Range		3,297	7,643	4,741	6,199
Johnson Grass		27,099	73,869	49,610	51,358
Drainage Districts		171,127	194,792	122,950	242,969
Emergency 911		222,371	142,478	270,711	94,138
Solid Waste Transfer Station		212,612	727,366	706,151	233,827
Criminal Investigation		63,021	124,446	90,897	96,570
Domestic Violence		9,151	1,406	0	10,557
Police Apprehension of Student Traffickers		5,118	277	0	5,395
Seized Money		11,077	4,425	10,014	5,488
Capital Improvement Sales Tax		0	474,840	154,485	320,355
Law Enforcement Sales Tax		0	237,162	120,817	116,345
Recorder's User Fees		22,141	8,670	23,024	7,787
Health Center		582,112	761,128	636,503	706,737
Prosecuting Attorney Bad Check		11,422	9,128	8,853	11,697
Senate Bill 40 Board		139,356	148,821	180,386	107,791
CDBG E-911 Telephone System		0	212,417	212,417	0
CDBG Port Authority Road 95-ED-32		100	51,800	51,800	100
CDBG Port Authority Road 97-ED-11		0	150,548	150,448	100
Law Library		1,738	4,425	4,765	1,398
Associate Division Interest		12,539	2,857	88	15,308
Circuit Division Interest		14,879	5,281	1,407	18,753
Total	$	2,122,329	6,477,780	5,935,751	2,664,358

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 605,829	1,573,280	1,908,195	270,914
Special Road and Bridge	267,736	1,024,279	879,983	412,032
Assessment	-39,997	63,268	135,295	-112,024
Law Enforcement Training	4,153	12,766	11,926	4,993
Prosecuting Attorney Training	1,323	5,963	3,497	3,789
Drug Abuse Resistance Education	-5,403	34,553	27,759	1,391
Bootheel Drug Task Force	14,971	114,227	97,418	31,780
Landfill	781	0	487	294
Firing Range	0	10,085	6,788	3,297
Johnson Grass	6,696	70,606	50,203	27,099
Drainage Districts	87,539	185,278	101,690	171,127
Emergency 911	105,368	142,720	25,717	222,371
Solid Waste Transfer Station	141,878	694,757	624,023	212,612
Criminal Investigation	49,977	106,499	93,455	63,021
Domestic Violence	7,749	1,402	0	9,151
Police Apprehension of Student Traffickers	4,855	263	0	5,118
Seized Money	6,015	21,242	16,180	11,077
Recorder's User Fees	32,222	8,712	18,793	22,141
Hayti Heights Community Based Policing	-3,751	3,751	0	0
Health Center	436,873	757,961	612,722	582,112
Prosecuting Attorney Bad Check	15,777	9,172	13,527	11,422
Senate Bill 40 Board	77,991	144,960	83,595	139,356
CDBG Water Improvement	0	58,195	58,195	0
CDBG E-911 Telephone System	0	5,854	5,854	0
CDBG Port Authority Road 95-ED-32	100	46,958	46,958	100
Law Library	1,761	9,319	9,342	1,738
Associate Division Interest	10,805	2,622	888	12,539
Circuit Division Interest	16,689	3,624	5,434	14,879
Total	$ 1,847,937	5,112,316	4,837,924	2,122,329

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 236,300	246,941	10,641	190,000	212,499	22,499
Sales taxes	575,000	563,680	-11,320	575,000	571,902	-3,098
Intergovernmental	422,600	280,491	-142,109	430,600	281,846	-148,754
Charges for services	359,600	599,466	239,866	314,050	363,034	48,984
Interest	40,000	21,343	-18,657	40,000	42,017	2,017
Other	143,500	95,760	-47,740	74,450	101,982	27,532
Transfers in	0	0	0	8,000	0	-8,000
Total Receipts	1,777,000	1,807,681	#VALUE!	1,632,100	1,573,280	#VALUE!
DISBURSEMENTS						
County Commission	60,400	60,209	191	62,400	63,434	-1,034
County Clerk	51,900	51,658	242	51,900	51,709	191
Elections	105,950	99,334	6,616	60,000	66,145	-6,145
Buildings and grounds	122,200	188,542	-66,342	85,500	284,123	-198,623
Employee fringe benefits	211,000	222,170	-11,170	173,000	197,465	-24,465
County Treasurer	23,600	23,234	366	23,600	23,389	211
County Collector	77,161	84,246	-7,085	77,161	77,705	-544
Ex Officio Recorder of Deeds	59,430	58,247	1,183	60,800	60,930	-130
Circuit Clerk	16,100	11,792	4,308	16,100	12,488	3,612
Associate Circuit Court	15,000	10,206	4,794	19,500	11,914	7,586
Associate Circuit (Probate)	2,860	3,851	-991	2,860	2,591	269
Court administration	6,500	6,110	390	6,900	5,697	1,203
Public Administrator	12,880	15,090	-2,210	14,040	12,928	1,112
Sheriff	443,706	450,759	-7,053	367,030	381,035	-14,005
Jail	172,260	173,794	-1,534	169,460	211,015	-41,555
Prosecuting Attorney	139,692	140,732	-1,040	137,442	140,556	-3,114
Juvenile Officer	66,028	74,277	-8,249	66,275	69,625	-3,350
County Coroner	12,850	16,191	-3,341	12,850	17,236	-4,386
Court Reporter	1,500	1,219	281	950	1,504	-554
Data Processing	51,600	70,686	-19,086	45,100	72,511	-27,411
Other	108,825	117,169	-8,344	116,025	130,358	-14,333
Heating and cooling project	9,000	0	9,000	150,000	8,286	141,714
Public Health and Welfare Services	1,800	1,000	800	1,700	1,800	-100
Transfers out	14,067	0	14,067	18,130	3,751	14,379
Emergency Fund	30,000	0	30,000	30,000	0	30,000
Total Disbursements	1,816,309	1,880,516	-64,207	1,768,723	1,908,195	-139,472
RECEIPTS OVER (UNDER) DISBURSEMENTS	-39,309	-72,835	#VALUE!	-136,623	-334,915	#VALUE!
CASH, JANUARY 1	270,914	270,914	0	605,829	605,829	0
CASH, DECEMBER 31	$ 231,605	198,079	#VALUE!	469,206	270,914	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 360,000	383,130	23,130	340,000	368,763	28,763
Intergovernmental	643,200	614,763	-28,437	536,000	626,932	90,932
Interest	22,000	28,817	6,817	12,700	22,847	10,147
Other	5,500	4,058	-1,442	5,000	5,737	737
Total Receipts	1,030,700	1,030,768	68	893,700	1,024,279	130,579
DISBURSEMENTS						
Salaries	250,000	234,135	15,865	230,000	223,090	6,910
Employee fringe benefits	82,225	74,291	7,934	77,390	77,017	373
Supplies	246,100	301,535	-55,435	206,100	253,212	-47,112
Insurance	20,000	18,663	1,337	20,000	18,464	1,536
Road and bridge materials	239,500	112,136	127,364	208,000	179,185	28,815
Equipment repairs	10,000	0	10,000	0	9,206	-9,206
Equipment purchases	145,000	146,889	-1,889	100,000	109,469	-9,469
Other	11,100	35,483	-24,383	26,100	10,340	15,760
Total Disbursements	1,003,925	923,132	80,793	867,590	879,983	-12,393
RECEIPTS OVER (UNDER) DISBURSEMENTS	26,775	107,636	80,861	26,110	144,296	118,186
CASH, JANUARY 1	412,032	412,032	0	267,736	267,736	0
CASH, DECEMBER 31	$ 438,807	519,668	80,861	293,846	412,032	118,186

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 271,090	117,797	-153,293	195,000	63,054	-131,946
Other	0	94	94	0	214	214
Transfers in	14,067	0	-14,067	18,130	0	-18,130
Total Receipts	285,157	117,891	-167,266	213,130	63,268	-149,862
DISBURSEMENTS						
Assessor	173,133	142,796	30,337	173,133	135,295	37,838
Total Disbursements	173,133	142,796	30,337	173,133	135,295	37,838
RECEIPTS OVER (UNDER) DISBURSEMENTS	112,024	-24,905	-136,929	39,997	-72,027	-187,700
CASH, JANUARY 1	-112,024	-112,024	0	-39,997	-39,997	0
CASH, DECEMBER 31	$ 0	-136,929	-136,929	0	-112,024	-187,700

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	2,834	2,834	0	96	96
Charges for services	11,000	15,163	4,163	10,000	11,990	1,990
Interest	500	371	-129	200	487	287
Other	0	211	211	0	193	193
Total Receipts	11,500	18,579	7,079	10,200	12,766	2,566
DISBURSEMENTS						
Sheriff	16,000	12,924	3,076	12,000	11,926	74
Total Disbursements	16,000	12,924	3,076	12,000	11,926	74
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,500	5,655	10,155	-1,800	840	2,640
CASH, JANUARY 1	4,993	4,993	0	4,153	4,153	0
CASH, DECEMBER 31	$ 493	10,648	10,155	2,353	4,993	2,640

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 6,000	8,126	2,126	5,200	5,963	763
Total Receipts	6,000	8,126	2,126	5,200	5,963	763
DISBURSEMENTS						
Prosecuting Attorney	6,000	4,062	1,938	5,200	3,497	1,703
Total Disbursements	6,000	4,062	1,938	5,200	3,497	1,703
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	4,064	4,064	0	2,466	2,466
CASH, JANUARY 1	3,789	3,789	0	1,323	1,323	0
CASH, DECEMBER 31	$ 3,789	7,853	4,064	1,323	3,789	2,466

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ABUSE RESISTANCE EDUCATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 23,000	12,430	-10,570	25,731	28,346	2,615
Interest	100	30	-70	0	24	24
Other	5,000	7,125	2,125	0	796	796
Transfers in	5,500	4,828	-672	6,744	5,387	-1,357
Total Receipts	33,600	24,413	-9,187	32,475	34,553	2,078
DISBURSEMENTS						
Salaries	27,859	25,883	1,976	25,960	25,492	468
Office expenditures	3,500	2,568	932	1,015	2,027	-1,012
Mileage and training	0	0	0	0	240	-240
Total Disbursements	31,359	28,451	2,908	26,975	27,759	-784
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,241	-4,038	-6,279	5,500	6,794	1,294
CASH, JANUARY 1	1,391	1,391	0	-5,403	-5,403	0
CASH, DECEMBER 31	$ 3,632	-2,647	-6,279	97	1,391	1,294

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BOOTHEEL DRUG TASK FORCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 112,152	84,665	-27,487	70,000	78,429	8,429
Interest	0	1,122	1,122	0	1,181	1,181
Other	0	12,486	12,486	0	16,437	16,437
Transfers in	24,050	28,270	4,220	23,333	18,180	-5,153
Total Receipts	136,202	126,543	-9,659	93,333	114,227	20,894
DISBURSEMENTS						
Salaries	92,435	92,837	-402	56,804	67,016	-10,212
Office expenditures	1,620	2,340	-720	900	352	548
Equipment	6,658	8,465	-1,807	11,487	5,847	5,640
Mileage and training	26,601	24,500	2,101	18,000	12,675	5,325
RAM JET	0	0	0	0	1,500	-1,500
Other	9,000	15,039	-6,039	6,142	10,028	-3,886
Total Disbursements	136,314	143,181	-6,867	93,333	97,418	-4,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	-112	-16,638	-16,526	0	16,809	16,809
CASH, JANUARY 1	31,780	31,780	0	14,971	14,971	0
CASH, DECEMBER 31	$ 31,668	15,142	-16,526	14,971	31,780	16,809

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LANDFILL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Landfill	290	622	-332	500	487	13
Total Disbursements	290	622	-332	500	487	13
RECEIPTS OVER (UNDER) DISBURSEMENTS	-290	-622	-332	-500	-487	13
CASH, JANUARY 1	294	294	0	781	781	0
CASH, DECEMBER 31	$ 4	-328	-332	281	294	13

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FIRING RANGE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 5,500	3,664	-1,836
Charges for service	4,000	3,763	-237
Interest	100	216	116
Total Receipts	9,600	7,643	-1,957
DISBURSEMENTS			
Contract services	5,500	4,346	1,154
Office expenditures	1,000	395	605
Other	5,000	0	5,000
Total Disbursements	11,500	4,741	6,759
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,900	2,902	4,802
CASH, JANUARY 1	3,297	3,297	0
CASH, DECEMBER 31	$ 1,397	6,199	4,802

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHNSON GRASS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 60,000	70,266	10,266	60,000	68,037	8,037
Intergovernmental	0	408	408	0	604	604
Interest	2,000	3,195	1,195	1,600	1,965	365
Total Receipts	62,000	73,869	11,869	61,600	70,606	9,006
DISBURSEMENTS						
Salaries	48,691	37,954	10,737	47,891	43,847	4,044
Equipment	25,000	0	25,000	12,000	0	12,000
Other	8,000	11,656	-3,656	7,500	6,356	1,144
Total Disbursements	81,691	49,610	32,081	67,391	50,203	17,188
RECEIPTS OVER (UNDER) DISBURSEMENTS	-19,691	24,259	43,950	-5,791	20,403	26,194
CASH, JANUARY 1	27,099	27,099	0	6,696	6,696	0
CASH, DECEMBER 31	$ 7,408	51,358	43,950	905	27,099	26,194

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRAINAGE DISTRICTS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 157,000	181,709	24,709	189,300	176,364	-12,936
Interest	6,405	13,083	6,678	4,300	8,914	4,614
Total Receipts	163,405	194,792	31,387	193,600	185,278	-8,322
DISBURSEMENTS						
Salaries	115,200	108,916	6,284	112,900	99,994	12,906
Equipment	21,000	560	20,440	14,500	1,696	12,804
Other	156,500	13,474	143,026	29,000	0	29,000
Total Disbursements	292,700	122,950	169,750	156,400	101,690	54,710
RECEIPTS OVER (UNDER) DISBURSEMENTS	-129,295	71,842	201,137	37,200	83,588	46,388
CASH, JANUARY 1	171,127	171,127	0	87,539	87,539	0
CASH, DECEMBER 31	$ 41,832	242,969	201,137	124,739	171,127	46,388

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 130,000	135,389	5,389	130,000	133,477	3,477
Interest	5,000	6,718	1,718	3,500	9,243	5,743
Other	0	371	371	0	0	0
Total Receipts	135,000	142,478	7,478	133,500	142,720	9,220
DISBURSEMENTS						
Salaries	104,970	101,836	3,134	27,961	18,119	9,842
Contract services	75,000	18,314	56,686	100,000	7,288	92,712
Office expenditures	500	60	440	200	118	82
Equipment	100,000	131,937	-31,937	100,000	0	100,000
Mileage and training	1,000	1,972	-972	1,000	192	808
Other	0	16,592	-16,592	0	0	0
Total Disbursements	281,470	270,711	10,759	229,161	25,717	203,444
RECEIPTS OVER (UNDER) DISBURSEMENTS	-146,470	-128,233	18,237	-95,661	117,003	212,664
CASH, JANUARY 1	222,371	222,371	0	105,368	105,368	0
CASH, DECEMBER 31	$ 75,901	94,138	18,237	9,707	222,371	212,664

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SOLID WASTE TRANSFER STATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	30,755	30,755	0	0	0
Charges for services	756,000	684,724	-71,276	561,000	686,208	125,208
Interest	12,500	9,747	-2,753	5,000	8,456	3,456
Other	0	2,140	2,140	40,000	93	-39,907
Total Receipts	768,500	727,366	-41,134	606,000	694,757	88,757
DISBURSEMENTS						
Salaries	74,800	83,460	-8,660	74,800	72,054	2,746
Contract services	450,000	446,926	3,074	400,000	425,883	-25,883
Office expenditures	26,800	13,400	13,400	17,700	19,566	-1,866
Equipment	90,000	49,758	40,242	88,000	64,715	23,285
Mileage and training	1,000	788	212	500	826	-326
Bond payment and interest	45,000	49,485	-4,485	45,390	40,379	5,011
Building	0	62,234	-62,234	0	0	0
Other	800	100	700	1,000	600	400
Transfer out	50,000	0	50,000	35,000	0	35,000
Total Disbursements	738,400	706,151	32,249	662,390	624,023	38,367
RECEIPTS OVER (UNDER) DISBURSEMENTS	30,100	21,215	-8,885	-56,390	70,734	127,124
CASH, JANUARY 1	212,612	212,612	0	141,878	141,878	0
CASH, DECEMBER 31	$ 242,712	233,827	-8,885	85,488	212,612	127,124

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIMINAL INVESTIGATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 100,000	120,178	20,178	42,000	104,235	62,235
Interest	2,000	4,268	2,268	3,900	2,264	-1,636
Total Receipts	102,000	124,446	22,446	45,900	106,499	60,599
DISBURSEMENTS						
Salaries	9,260	9,339	-79	0	6,934	-6,934
Office expenditures	780	780	0	0	585	-585
Equipment	40,000	41,661	-1,661	30,000	54,901	-24,901
Mileage and training	0	1,000	-1,000	0	0	0
Other	7,000	5,019	1,981	3,000	7,467	-4,467
Transfers	35,000	33,098	1,902	25,000	23,568	1,432
Total Disbursements	92,040	90,897	1,143	58,000	93,455	-35,455
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,960	33,549	23,589	-12,100	13,044	25,144
CASH, JANUARY 1	63,021	63,021	0	49,977	49,977	0
CASH, DECEMBER 31	$ 72,981	96,570	23,589	37,877	63,021	25,144

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 900	885	-15	1,000	940	-60
Interest	400	521	121	350	462	112
Total Receipts	1,300	1,406	106	1,350	1,402	52
DISBURSEMENTS						
Other	9,000	0	9,000	7,000	0	7,000
Total Disbursements	9,000	0	9,000	7,000	0	7,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,700	1,406	9,106	-5,650	1,402	7,052
CASH, JANUARY 1	9,151	9,151	0	7,749	7,749	0
CASH, DECEMBER 31	$ 1,451	10,557	9,106	2,099	9,151	7,052

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
POLICE APPREHENSION OF STUDENT TRAFFICKERS PROGRAM FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 250	277	27	250	263	13
Total Receipts	250	277	27	250	263	13
DISBURSEMENTS						
Other	5,000	0	5,000	4,800	0	4,800
Total Disbursements	5,000	0	5,000	4,800	0	4,800
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,750	277	5,027	-4,550	263	4,813
CASH, JANUARY 1	5,118	5,118	0	4,855	4,855	0
CASH, DECEMBER 31	$ 368	5,395	5,027	305	5,118	4,813

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SEIZED MONEY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 30,000	3,850	-26,150
Interest	500	575	75
Total Receipts	30,500	4,425	-26,075
DISBURSEMENTS			
Other	30,000	10,014	19,986
Total Disbursements	30,000	10,014	19,986
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	-5,589	-6,089
CASH, JANUARY 1	11,077	11,077	0
CASH, DECEMBER 31	$ 11,577	5,488	-6,089

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT SALES TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales tax	$ 570,000	465,604	-104,396
Interest	2,000	9,236	7,236
Total Receipts	572,000	474,840	-97,160
DISBURSEMENTS			
Property	188,000	154,485	33,515
Total Disbursements	188,000	154,485	33,515
RECEIPTS OVER (UNDER) DISBURSEMENTS	384,000	320,355	-63,645
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 384,000	320,355	-63,645

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales tax	$ 200,000	232,809	32,809
Interest	2,000	4,353	2,353
Total Receipts	202,000	237,162	35,162
DISBURSEMENTS			
Salaries	0	7,857	-7,857
Equipment	100,000	112,960	-12,960
Total Disbursements	100,000	120,817	-20,817
RECEIPTS OVER (UNDER) DISBURSEMENTS	102,000	116,345	14,345
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 102,000	116,345	14,345

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 7,000	7,750	750	7,000	6,872	-128
Interest	1,500	920	-580	1,500	1,840	340
Total Receipts	8,500	8,670	170	8,500	8,712	212
DISBURSEMENTS						
Recorder of Deeds	18,000	23,024	-5,024	30,000	18,793	11,207
Total Disbursements	18,000	23,024	-5,024	30,000	18,793	11,207
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,500	-14,354	-4,854	-21,500	-10,081	11,419
CASH, JANUARY 1	22,141	22,141	0	32,222	32,222	0
CASH, DECEMBER 31	$ 12,641	7,787	-4,854	10,722	22,141	11,419

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HAYTI HEIGHTS COMMUNITY BASED POLICING FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfers in	$ 3,751	3,751	0
Total Receipts	3,751	3,751	0
DISBURSEMENTS			
Other	0	0	0
Total Disbursements	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,751	3,751	0
CASH, JANUARY 1	-3,751	-3,751	0
CASH, DECEMBER 31	$ 0	0	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 138,171	140,498	2,327	137,033	137,034	1
Intergovernmental	537,155	557,484	20,329	554,981	565,136	10,155
Charges for services	18,359	19,244	885	19,311	20,062	751
Interest	35,441	32,896	-2,545	31,904	32,154	250
Other	6,386	11,006	4,620	3,303	3,575	272
Total Receipts	735,512	761,128	25,616	746,532	757,961	11,429
DISBURSEMENTS						
Salaries	435,515	436,268	-753	442,726	431,464	11,262
Office expenditures	86,774	83,190	3,584	67,239	67,278	-39
Equipment	17,005	23,169	-6,164	21,430	18,386	3,044
Mileage and training	82,741	79,233	3,508	72,477	73,184	-707
Other	15,533	14,643	890	21,565	22,410	-845
Total Disbursements	637,568	636,503	1,065	625,437	612,722	12,715
RECEIPTS OVER (UNDER) DISBURSEMENTS	97,944	124,625	26,681	121,095	145,239	24,144
CASH, JANUARY 1	582,112	582,112	0	436,873	436,873	0
CASH, DECEMBER 31	$ 680,056	706,737	26,681	557,968	582,112	24,144

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board of Trustees, or the Senate Bill 40 Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Bad Check Fund	1998 and 1997
Senate Bill 40 Board Fund	1998 and 1997
CDBG E-911 Telephone System Fund	1998 and 1997
CDBG Port Authority Road 95-ED-32 Fund	1998 and 1997
Law Library Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Circuit Division Interest Fund	1998 and 1997
CDBG Port Authority Road 97-ED-11 Fund	1998
Firing Range Fund	1997
Seized Money Fund	1997
CDBG Water Improvement Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	1998 and 1997
Bootheel Drug Task Force Fund	1998 and 1997
Landfill Fund	1998
Law Enforcement Sales Tax Fund	1998
Recorder's User Fees Fund	1998
Special Road and Bridge Fund	1997
Drug Abuse Resistance Education Fund	1997
Criminal Investigation Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Firing Range Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
CDBG E-911 Telephone System Fund	1998 and 1997
CDBG Port Authority Road 95-ED-32 Fund	1998 and 1997
CDBG Port Authority Road 97-ED-11 Fund	1998
CDBG Water Improvement Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Assessment Fund

The State Tax Commission did not approve the reassessment plan submitted by the county for the two years ended December 31, 1997. The county filed a lawsuit against the State Tax Commission regarding this matter in Assessor for Pemiscot County, et al., Petitioners v. State Tax Commissioner of Missouri, et al., Respondents, Case No. CV396-131CC Division I.

For the two years ended December 31, 1997, the county filed quarterly reports with the State Tax Commission for reimbursement of 50 percent of expenses made by the Assessment Fund. Since the State Tax Commission did not approve the reassessment plan, the county did not receive any reimbursement from the state for expenses of the Assessment Fund for the two years ended December 31, 1997. However, this suit was settled in April, 1999 and the county received from the State Tax Commission approximately $93,000, representing 75 percent of the total reimbursement amount owed to the county from the State Tax Commission.

Supplementary Schedule

Schedule 1

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	IN-078-007	$ 0	208
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER-0045-8178	125,959	132,783
10.6	Summer Food Service	ER014698178	1,045	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/Small Cities Program	93-PF-27	0	58,195
		95-PF-31	212,417	5,854
		95-ED-32	51,800	46,958
		97-ED-11	150,448	0
	Program Total		414,665	111,007
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	95CFWX5084	79,853	4,066
16.unknown	Equitable Sharing of Seized and Forfeited Property	MO0780000	4,015	14,526
	Passed through:			
	State Department of Public Safety -			
16.6	Byrne Formula Grant Program	96NCD2055	0	38,400
		96NCD1020	0	12,906
		97NCD2046	50,263	47,754
		97NCD1020	10,786	10,060
		98NCD2033	41,407	0
	Program Total		102,456	109,120
16.6	Local Law Enforcement Block Grants Program	97LBG78	9,000	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,083	2,684
	U. S. DEPARTMENT OF TRANSPORTATION			

	Passed through state Highway and			
	Transportation Commission -			
20.2	Off-System Bridge Replacement and			
	Rehabilitation Program	BRO-078(31)	0	78,766
		BRO-078(32)	60,566	0
	Program Total		60,566	78,766
::				
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	PG0064-9178	9,935	10,228
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	27,122	23,528
	Department of Health -			
93.9	Cooperative Agreements for State-Based			
	Comprehensive Breast and Cervical Cancer			
	Early Detection Programs	N/A	2,357	0
94.0	Preventive Health and Health Services Block Grant	AOC9000187	28,776	26,502
94.0	Maternal and Child Health Services			
	Block Grant to the States	AOC9000090	137,111	140,833
94.0	Maternal and Child Health Services			
	Block Grant to the States	ER0146-9178	36,124	26,497
	Program Total		173,235	167,330
	Total Expenditures of Federal Awards		$ 1,040,067	680,748

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

PEMISCOT COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pemiscot County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Pemiscot County, Missouri

Compliance

We have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Pemiscot County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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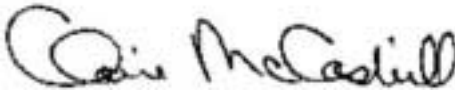
Internal Control Over Compliance

The management of Pemiscot County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Pemiscot County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 22, 1999 (fieldwork completion date)

Schedule

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weaknesses identified?	x yes	no
Reportable conditions identified that are not considered to be material weaknesses?	yes	x none reported
Noncompliance material to the financial statements noted?	x yes	no

Federal Awards

Internal control over major program(s):		
Material weaknesses identified?	yes	x no
Reportable conditions identified that are not considered to be material weaknesses?	yes	x none reported
Type of auditor's report issued on compliance for major program(s):	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	yes	x no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
14.219	Community Development Block Grants/Small Cities Program
93.994	Maternal and Child Health Services Block Grant to the States

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Funds Not Budgeted

Formal budgets were not prepared for the following funds:

Fund	Expenditures, Year Ended December 31, 1998	1997
Prosecuting Attorney Bad Check Fund	$ 8,853	13,527
Senate Bill 40 Board Fund	180,386	83,595
CDBG E-911 Telephone System Fund	212,417	5,854
CDBG Port Authority Road 95-ED-32 Fund	51,800	46,958
Law Library Fund	4,765	9,342
Associate Division Interest Fund	88	888
Circuit Division Interest Fund	1,407	5,434
CDBG Port Authority Road 97-ED-11 Fund	150,448	N/A
Firing Range Fund	N/A	6,788
Seized Money Fund	N/A	16,180
CDBG Water Improvement Fund	N/A	58,195
Total	$ 610,164	246,761

Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. Expenditures from funds not budgeted as a percentage of all expenditures amounted to approximately 10 percent and 5 percent for the years ended December 31, 1998 and 1997, respectively.

By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more efficiently evaluate all county financial resources.

According to Section 50.530, RSMo 1994, the County Clerk is the budget officer. The County Clerk needs to implement procedures to ensure all funds are budgeted. These procedures need to include requesting and obtaining budgets for funds controlled by other county officials.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the County Clerk implement procedures to ensure budgets are prepared for all county funds, including those funds controlled by other county officials.

AUDITEE'S RESPONSE

These funds are not under the direct control of the County Clerk. The County Clerk will request in writing from the various officials and boards the budgets be prepared and presented to the County Commission. CDBG funds are earmarked funds for specific purposes and they were considered budgeted when they were approved.

98-2. Overspending Budgets

Disbursements were made in excess of the approved budgets in the following funds during the two years ended December 31, 1998, as follows:

	Year Ended December 31,	
Fund	1998	1997
General Revenue	$ 64,207	139,472
Special Road and Bridge	N/A	12,393
Drug Abuse Resistance Education	N/A	784
Bootheel Drug Task Force	6,867	4,085
Landfill	332	N/A
Criminal Investigations	N/A	35,455
Law Enforcement Sales Tax	20,817	N/A
Recorder's User Fees	5,024	N/A

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the County Commission ensure the county does not authorize disbursements in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended.

AUDITEE'S RESPONSE

The County Commission will endeavor to keep expenditures within the budget and amend budgets when necessary.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pemiscot County, Missouri, on the applicable findings in our prior audit report issued for the three years ended December 31, 1996.

1. Budgets

   A. Formal budgets were not prepared for various county funds for the year ended December 31, 1996, 1995, and 1994.

   B. Disbursements exceeded the approved budget for several funds.

   Recommendation:

   The County Commission:

   A. Ensure financial information for all county funds is included in the annual budgets.

   B. Refrain from incurring disbursements in excess of budgeted amounts. If additional funds are received which could not be estimated when the budget was adopted, the budget should be amended by following the procedures required by state law.

   Status:

   A. Not implemented. See Schedule of Findings and Questioned Costs No. 98-1.

   B. Not implemented. See Schedule of Findings and Questioned Costs No. 98-2.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PEMISCOT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PEMISCOT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 22, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 22, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Pemiscot County Port Authority Board and Pemiscot Memorial Health Systems Board are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Pemiscot County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Financial Statements

The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements show receipts, or revenues, disbursements, or expenditures and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the County Commission ensure financial information for all county funds is properly reported in the annual financial statements.

AUDITEE'S RESPONSE

The County Commission will make an effort to ensure all funds are reported in the annual financial statements.

2. Collateral Securities

The amount of collateral securities pledged by the county's depositary banks at January 19, 1999, was insufficient by approximately $1,900,000 to cover monies in the custody of the County Treasurer and County Collector. It appears this situation occurred because bank balances were not monitored by the county officials.

Section 110.020, RSMo 1994, provides that the value of the securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Commission implement procedures to ensure collateral securities pledged by the depositary banks are sufficient to protect monies at all times.

AUDITEE'S RESPONSE

The County Commission will discuss this with the County Treasurer and County Collector and try to ensure that collateral is sufficient.

3.	**County Expenditure Procedures and Practices**

A. In November, 1998, the County Commission sold property for $38,000 without advertising the sale. This property had been purchased by the county in January, 1997 for $38,000 to be used as a site for overflow parking for the new criminal justice center. After the purchase, the county used its own labor and equipment to demolish a small building on the site. The property was sold when the County Commission decided overflow parking would not be needed. To ensure the best price is received, the County Commission should advertise items it sells.

B. During the two years ended December 31, 1998, the County Commission authorized payments totaling $3,000 from the General Revenue Fund for the county employees' annual Christmas party.

Although the County Commission indicated they believe such expenditures benefited employee morale, they still do not appear to be a proper use of county funds. The County Commission should ensure county funds are spent only on items which are necessary and beneficial to county residents.

C. The Unclaimed Fees Fund contains $2,851 of unclaimed bonds. These monies were turned over to the County Treasurer from the Associate Circuit Division.

Section 447.595, RSMo 1994, requires the court to return bonds, less any court costs, to individuals upon termination of the related court proceeding. Any bonds remaining unclaimed for one year after disposition of the case should be turned over to the state's Unclaimed Property Section.

D. The County Clerk indicated time sheets are to be prepared by employees and submitted to the employee's supervisor. The supervisors are also responsible for maintaining leave records. However, we noted that only the Sheriff's office and road and bridge employees prepare adequate time and leave records. As a result, the County Commission does not have documentation of work performed to support payroll expenditures and cannot ensure that employees vacation and sick leave balances are accurate and that all employees are treated equitably.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the

applicable supervisor, and filed with the County Clerk. The County Clerk should then maintain centralized leave records for all county employees.

Conditions B, C, and D, were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

A. Advertise future land sales to ensure the best price is received.

B. Ensure all county expenditures are reasonable and necessary and a prudent use of public funds.

C. Require the County Treasurer to remit the $2,851 to the state's Unclaimed Property Section.

D. Require all county employees to complete time sheets which reflect actual time worked. The time sheets should be prepared by employees, approved by the applicable supervisor, and filed with the County Clerk. The County Clerk should then establish and maintain centralized leave records for all county employees.

AUDITEE'S RESPONSE

A. The County Commission will advertise future land sales. At the time, the Commission had an opportunity to recover the county's cost in the property and was not aware of any other potential buyers.

B. The County Commission believes this is good for employee morale and, as a result, does benefit the county. However, the County Commission will discuss this issue further.

C. The County Commission will ask the County Treasurer to do this.

D. This has been implemented.

4. County Clerk's Accounting Controls and Procedures

A. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. An account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited by the County Collector each year is complete and accurate and can be used by the County Commission to verify the County Collector's annual settlements.

B. Our review of the general fixed asset records indicated the records were incomplete. The County Clerk indicated he had requested inventory listings from each county office but compliance with his request had been limited.

The County Clerk does not record additions of fixed assets as they occur and did not perform physical inventories of fixed assets during the two years ended December 31, 1998.

Section 51.155, RSMo 1994, requires the County Clerk to keep a continuous inventory record of each item costing $250 or more, and perform an annual physical inventory of fixed assets.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property.

These conditions were noted in our two prior reports.

WE AGAIN RECOMMEND the County Clerk:

A. Establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

B. Maintain complete and accurate general fixed asset records and perform and document annual inventories of fixed assets.

AUDITEE'S RESPONSE

A. The County Clerk responded that all the necessary information is in the computer system and he will work with the programmer to develop monthly reports, which will serve the purpose of an account book.

B. House Bill No. 402 passed in 1999 which transferred this responsibility from the County Clerk to the County Commission. The County Commission requested an inventory from all county officials; however, not all have complied with the request. The County Commission will try its best to implement the recommendations.

5. County Collector's Accounting Controls and Procedures

The County Collector's office processes receipts of approximately $7.1 million annually. Our review noted the following concerns:

A. Duties are not adequately segregated. One person is primarily responsible for receiving, recording, preparing the deposits, and preparing bank reconciliations. Although the Collector stated he periodically reviews the work of this person, the review process is not documented.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps provide this assurance. If proper segregation of duties cannot be achieved, at a minimum, the County Collector should periodically review the accounting records and bank reconciliations and document the results of his review.

B. Monies received are not deposited intact. Personal checks are cashed for county employees from the daily receipts. To ensure receipts are accounted for properly and deposited intact, personal checks should not be cashed from official tax receipts.

C. The County Collector accepts cash, checks and money orders for the payment of property taxes. The tax receipts marked paid by the County Collector do not always indicate the method of payment. In addition, the County Collector maintains a cash log detailing cash received and a check log detailing checks received. However, we noted that these logs were incomplete. As a result, the County Collector cannot and does not reconcile the composition of tax receipts to the composition of bank deposits.

To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment should be indicated on all tax receipts or the cash/check logs, and the composition of receipts should be reconciled to the composition of deposits.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Collector:

A. Segregate the record-keeping duties, or at a minimum perform and document a periodic review of the bank reconciliations and accounting records.

B. Deposit all monies received intact daily and discontinue cashing checks for employees.

C. Indicate the method of payment on all tax receipts or cash/check logs and reconcile the composition of receipts to the composition of bank deposits.

AUDITEE'S RESPONSE

A. *There are three people in our office. All three receive and record tax payments, therefore, segregation of those duties is successfully achieved. We now have one person who prepares deposits, but a different person who counts the funds for actual deposit. Bank reconciliations are reviewed by the Collector and will be documented in the future. I believe that we have an extremely accountable safeguard system for all transactions.*

B. *Monies received are deposited intact for each day's business. If a check is cashed it is documented on the cash log. We balance every day and have an extremely reliable system for accounting for all funds received.*

C. *Tax statements in 99 percent of the cases indicate the method of payment. Also, a cash log and a check log are kept to ensure a trail in case of error. We do reconcile the composition of tax receipts to the composition of bank deposits. If a check is cashed it is documented in order to leave an easily identifiable trail.*

We are very confident in our accounting system. All records were efficiently produced and are at all times readily available. I am confident that our system for tracking the collection and disbursement of funds is as efficient as any in the state.

6. Recorder of Deed's Accounting Controls and Procedures

The Recorder of Deed's office processes receipts of approximately $115,000 annually. Our review noted the following concerns:

A. Receipts are not deposited intact or on a timely basis. Deposits are made approximately twice a month. In addition, we noted checks from employees were cashed from official receipts. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed $100.

B. The fee books and other financial records do not contain sufficient documentation to agree individual recordings to related deposits. The method of payment is not documented in the fee book and sufficient detail is not transferred to accounts receivable records for identification purposes. To ensure receipts are deposited intact, the fee books and other financial records should contain sufficient details regarding fees received and the method of payment. In addition, the composition (cash, checks, and money orders) of receipts noted in the fee book should be reconciled to the composition of bank deposits.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the Recorder of Deeds:

A. Deposit all monies received intact daily or when cash on hand exceeds $100 and discontinue cashing checks for employees.

B. Record fees in the fee book in sufficient detail to agree individual recordings to the related deposits. This would include documenting the method of payment in the fee book and transferring sufficient details to the accounts receivable records for identification purposes. In addition, the composition of receipts noted in the fee book should be reconciled to the composition of bank deposits.

AUDITEE'S RESPONSE

A. Most of the fees collected in the Recorder's office are paid by check. The office only has $50 for the cash drawer. In order to have change for cash paying customers, I will request $50 from the County Commission. I think this will be enough cash to have change for my customers.

As for cashing checks for my employees, I have already stopped.

B. I will start putting check or cash on the documents and/or the fee book, and make a daily deposit.

This report is intended for the information of the management of Pemiscot County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pemiscot County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996 and our Special Review of the Thirty-Fourth Judicial Circuit, Associate Division II for the period July 6, 1994 through December 31, 1996. Finding numbers 1.A. and 1.B. are omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgets and Financial Statements

   C. The annual published financial statements did not include the financial activity of some county funds as required.

   D. Expenditures exceeded available resources in three funds resulting in negative cash balances.

   Recommendation:

   The County Commission:

   C. Ensure financial information for all county funds is properly reported in the annual financial statements.

   D. Together with the County Clerk and County Treasurer ensure each county fund has adequate resources available prior to authorizing expenditures.

   Status:

   C. Not implemented. See MAR No. 1.

   D. Not implemented. Expenditures exceeded available resources in one fund in 1997 and three funds in 1998. The Assessment Fund was exceeded because of a pending lawsuit against the State Tax Commission, which was settled in April 1999, and because adequate funds had not been transferred from the county's General Revenue Fund to cover the county's share of assessment costs. Although not repeated in the current report, the County Commission, together with the County Clerk and County Treasurer should still ensure each county fund has adequate resources available prior to authorizing expenditures.

2. County Expenditure Procedures and Practices

A. The county did not have a written agreement with the Southeast Missouri (SEMO) Regional Crime Laboratory, and did not receive or maintain any documentation of actual services rendered by the crime lab on behalf of the county.

B. The County Commission authorized payments totaling $3,100 from the General Revenue Fund for the county employees' annual Christmas party.

C. The Unclaimed Fees Fund contained $2,851 of unclaimed bonds.

D. Records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

Recommendation:

The County Commission:

A. Enter into a detailed contract with SEMO Regional Crime Laboratory which specifies the services to be rendered and the manner and amount of the compensation. Further, the county should maintain detailed documentation of the services provided to ensure payments made are reasonable.

B. Ensure all county expenditures are reasonable and necessary and a prudent use of public funds.

C. Require the County Treasurer to remit the $2,851 to the state's Unclaimed Property Section.

D. Require records to be maintained of vacation, sick leave, and overtime earned, used, and accumulated.

Status:

A. Partially implemented. While the county currently maintains documentation of the services provided, no contract exists with the SEMO Regional Crime Laboratory. Although not repeated in the current report, our recommendation remains as stated above.

B,C, &D. Not implemented. See MAR No. 3.

3. Officials' Salaries

A. The salary commission granted retroactive salary increases to some county officials.

B. The former County Coroner was overpaid $917 due to a calculation error when determining back salary.

C. The Public Administrator was overpaid $500 for the year ended December 31, 1996, because he computed his fee by including the purchase of CD as an expenditure.

Recommendation:

A. The County Commission review this situation with the Prosecuting Attorney.

B. The County Commission pursue reimbursement of $917 from the former County Coroner.

C. The Probate Division Judge require the Public Administrator to reimburse the applicable estate $500. In addition, the Probate Division Judge and the Public Administrator should ensure purchases of certificates of deposits are not included as an expenditure of the estate in the calculation of the Public Administrator fee.

Status:

Implemented.

4. County Clerk's Accounting Controls and Procedures

A. The County Clerk did not maintain an account book with the County Collector.

B. The County Clerk did not record any additions or dispositions in the general fixed asset records, and did not perform any annual inventories of fixed assets during the three years ended December 31, 1996.

C. The County Collector added property taxes to the tax books without obtaining a court order.

Recommendation:

A. The County Clerk establish and maintain an account book of the County Collector's transactions and the County Commission make use of this account book to verify the County Collector's annual settlements.

B. The County Clerk record additions and dispositions in the general fixed asset records as the transactions occur and perform and document annual inventories of fixed assets as required by state law.

C. The County Commission approve and authorize all property tax additions.

Status:

A&B. Not implemented See MAR No. 4.

C. Implemented.

5. Assessor's Accounting Controls and Procedures

A. Prenumbered receipt slips were not issued for monies received.

B. A cash control ledger was not maintained.

C. Our review noted payments to the Assessor's office of $191 that were not remitted to the County Treasurer.

Recommendation:

A. Issue prenumbered receipt slips for all monies received.

B. Maintain a cash control ledger to account for all monies received.

C. Remit all receipts to the county treasury, including the $191 that cannot be accounted for. In addition, the County Commission should review this situation and decide if further investigation is warranted to determine the extent of monies not accounted for.

Status:

A&B. These recommendations currently do not apply. As of January, 1998, the Assessor's office ceased collecting monies for selling copies of maps and assessment information to the public. Customers currently make payments directly to the County Treasurer.

C. Implemented. The $191 was paid by the Assessor but no further investigation was pursued.

6. Circuit Clerk's Accounting Controls and Procedures

A. At December 31, 1996, the fee and child support accounts had checks totaling $189 and $4,812, respectively which had been outstanding for more than a year.

B. The Circuit Clerk had several old unclaimed bonds totaling $3,371 dating back to before 1983. In addition, the Circuit Clerk was holding other bonds for cases over one year old.

Recommendation:

A. Attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.

B. Follow up on old bonds to determine the proper disposition. Any bonds remaining unclaimed for one year after final disposition of the case should be turned over to the state's Unclaimed Property Section.

Status:

Implemented.

7. County Collector's Accounting Controls and Procedures

A. The duties of receiving, recording, and depositing collections, and reconciling the bank accounts were not adequately segregated.

B. Receipts were not deposited intact or on a timely basis.

C. The tax receipts marked paid by the County Collector did not consistently indicate the method of payment and the composition of tax receipts and the cash/check logs were not reconciled to the composition of bank deposits.

Recommendation:

A. Segregate the record-keeping duties, or at a minimum perform and document a periodic review of the bank reconciliations and accounting records.

B. Deposit all monies received intact daily or when cash on hand exceeds $100 and discontinue cashing checks for employees.

C. Indicate the method of payment on all tax receipts or cash/check logs and reconcile the composition of receipts to the composition of bank deposits.

Status:

Not implemented. See MAR No. 5.

8. Recorder of Deed's Accounting Controls and Procedures

A. Receipts were not deposited intact or on a timely basis.

B. The fee books and other financial records did not contain sufficient documentation to agree individual recordings to related deposits.

Recommendation:

A. Deposit all monies received intact daily or when cash on hand exceeds $100, make refunds by check, and discontinue cashing checks for employees.

B. Record fees in the fee book in sufficient detail to agree individual recordings to the related deposits. This would include documenting the method of payment in the fee book and transferring sufficient details to the accounts receivable records for identification purposes. In addition, the composition of receipts noted in the fee book should be reconciled to the composition of bank deposits.

Status:

Not implemented. See MAR No. 6.

9. Sheriff's Records and Procedures

A. Except for bonds, receipts were not deposited on a timely basis.

B. An inventory listing of seized property was not maintained for the three years ended December 31, 1996. In addition, a periodic inventory of the evidence room was not performed for comparison with the inventory listing of seized property.

C. The mileage claims filed by the Sheriff's office for delivering the "Summons for Jury" for the Circuit Division did not appear to be actual mileage. In addition, former Sheriff Davis was reimbursed for 1,091 miles that were not driven resulting in an overpayment of $273.

Recommendation:

A. The Sheriff deposit all monies received daily or when cash on hand exceeds $100.

B. The Sheriff ensure an accurate and up-to-date inventory record is maintained of all seized and confiscated property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

C. The County Commission ensure mileage claims are complete and accurate and in accordance with state law prior to payment. In addition, the Commission should seek reimbursement of $273 from former Sheriff Davis.

Status:

A. Partially implemented. Receipts of the Sheriff's criminal account are now deposited daily; however, receipts of the civil account are only deposited weekly. Although not repeated in the current report, our recommendation remains as stated above.

B. Implemented.

C. Partially implemented. During 1997, the county purchased its own fleet of vehicles for the Sheriff's department and no longer pays mileage claims. Although the County Commission sought reimbursement of $273 from former Sheriff Davis, the amount remains unpaid. Although not repeated in the current report, the County Commission should still seek reimbursement of $273 from former Sheriff Davis.

10. Health Center Accounting Controls and Procedures

Disbursements were in excess of approved budgeted expenditures. Amended budgets did not follow the same procedure as for the annual budget and were not filed with the State Auditor's office.

Recommendation:

The Health Center Board of Trustees refrain from incurring disbursements in excess of budgeted amounts. If additional funds are received which could not be estimated when the budget was adopted, the budget should be amended by following the procedures required by state law, including holding public hearings and filing the amended budget with the State Auditor's office.

Status:

Implemented.

11. Pemiscot County Deputies' Association

Accountable fees were deposited in the Pemiscot County Deputies' Association bank account.

Recommendation:

The County Commission review the circumstances surrounding the receipt and depositing of accountable monies into bank accounts outside the county treasury and consult with the Prosecuting Attorney.

Status:

Implemented. While no follow-up action was taken on the prior concerns, the County Commission and the current Sheriff who took office in January 1997, did not re-establish the Pemiscot County Deputies' Association.

SPECIAL REVIEW OF THIRTY-FOURTH JUDICIAL CIRCUIT ASSOCIATE DIVISION II JULY 6, 1994 THROUGH DECEMBER 31, 1996

1. Missing Funds

Between July 6, 1994 and March 21, 1995, it appeared that at least $950 of court receipts were misappropriated.

Recommendation:

The Associate Division II Judge work with the various law enforcement authorities regarding any criminal prosecution and to obtain restitution of the misappropriated funds.

Status:

Implemented. In January 1998, the defendant was placed on two years supervised probation and paid restitution of $950.

2. Accounting Controls and Procedures

A. The composition of receipt slips was not reconciled to the composition of bank deposits.

B. Monies were not deposited intact because overpayments were refunded to the payors in cash.

C. Two instances were noted where the computer record indicated the fine had been suspended or waived, but no documentation was made of the judge's authorization.

D. Procedures for collecting amounts remaining due on criminal cases were not consistently applied.

E. Monthly open-items listings were not reconciled to the cash balance and the cash balance at December 31, 1996 exceeded the identified open items by $7,434.

Recommendation:

The Associate Division II Judge:

A. Ensure the composition of receipt slips is reconciled to the composition of bank deposits and any discrepancies are investigated.

B. Discontinue the practice of making cash refunds. If the court determines it is necessary to make a cash refund, adequate supporting documentation should be maintained of the cash refund.

C. Document his authorization to reduce or suspend any fines and costs.

D. Ensure procedures for pursuing the collection of accrued costs are consistently applied.

E. Ensure open-items listings are reconciled to cash balances on a monthly basis. The unidentified cash balance should be investigated, and any monies remaining unidentified should be disbursed in accordance with state law.

Status:

A,B, C&D. Implemented.

E. Partially implemented. Open-items listings are currently reconciled to cash balances; however, the cash balance at December 31, 1998 exceeded the identified open items by $5,091. Although not repeated in the current report, the Associate Division II Judge should still investigate the unidentified cash balance, and any monies remaining unidentified should be disbursed in accordance with state law.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PEMISCOT COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1851, the county of Pemiscot was named after Pemiscot, its principal bayou. Pemiscot County is a county-organized, third-class county and is part of the 34th Judicial Circuit. The county seat is Caruthersville, Missouri.

Pemiscot County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Pemiscot County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 630,071	22	581,262	22
Sales taxes	563,680	20	571,902	22
Federal and state aid	895,254	32	908,778	35
Fees, interest, and other	749,444	26	535,617	21
Total	$ 2,838,449	100	2,597,559	100

The following chart shows how Pemiscot County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 1,040,954	37	1,105,964	39
Public safety	839,562	30	802,231	29
Highways and roads	923,132	33	879,983	32
Total	$ 2,803,648	100	2,788,178	100

The county received $474,840 during the year ended December 31, 1998 for the

Capital Improvements Sales Tax Fund to be used for capital improvements related to the Criminal Justice Center and Jail project. The county also received $237,162 during the year ended December 31, 1998 for the Law Enforcement Sales Tax Fund to be used for public safety.

The county maintains approximately 58 county bridges and 600 miles of county roads.

The county's population was 26,373 in 1970 and 21,921 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 75.0	74.5	67.8	42.5	35.0
Personal property	34.2	33.7	6.8	8.1	5.1
Railroad and utilities	31.0	31.0	14.1	14.5	10.6
Total	$ 140.2	139.2	88.7	65.1	50.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Pemiscot County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ 0.18	0.17
Special Road and Bridge Fund	0.28	0.27
Health Center Fund	0.10	0.10
Senate Bill 40 Board Fund	0.10	0.10
Johnson Grass Fund	0.05	0.05
Memorial Hospital Fund	0.36	0.35

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Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 42,133	41,890
General Revenue Fund	264,795	248,562
Special Road and Bridge Fund	389,643	374,738
Assessment Fund	63,596	63,071
Health Center Fund	138,966	138,041
Senate Bill 40 Board Fund	138,967	138,049
Johnson Grass Fund	69,529	69,125

Drainage Districts Fund		179,809	182,441
School districts		4,775,277	4,699,498
Hospital Maintenance Fund		495,960	480,400
Special drainage district		345,514	324,688
Cities		92,842	91,549
County Employees' Retirement		43,771	49,797
Commissions and fees:			
General Revenue Fund		103,883	102,951
Collector		7,922	6,700
Total	$	7,152,607	7,011,500

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	91.1 %	91.3 %
Personal property	90.8	89.1
Railroad and utilities	97.6	100.0

Pemiscot County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.005	None	50 %
Law enforcement		.0025	None	None
Capital improvements		.005	2018	None

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The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Kirby VanAusdall , Presiding Commissioner	$		19,000	19,000
Mike Avis , Associate Commissioner			19,000	19,000
Michael Clayton , Associate Commissioner			19,000	19,000
Pam Strawbridge , Recorder of Deeds			29,000	29,000
John M. Alford , County Clerk			31,500	31,500
Michael B. Hazel , Prosecuting Attorney			36,000	36,000
Thomas D. Greenwell, Sheriff			38,850	38,850
Pat Hoskins , County Treasurer *			22,610	23,156
James H. Brimhall , County Coroner			7,350	7,350
Richard Davis , Public Administrator **			13,106	11,080
Keith Jean , County Collector***, year ended February 28,		46,983	45,761	
Donna G. Snider , County Assessor ****, year ended August 31,			40,900	33,800

* Includes fees of $1,110 and $1,656, respectively, for county drainage distributions.

** Includes fees received from probate cases.

*** Includes $7,922 and $6,700, respectively, in commissions from drainage district's taxes.
**** Includes $900 annual compensation received from the state.

State-Paid Officials:		
Andrew J. Crawford , Circuit Clerk	42,183	40,176
Byron D. Luber, Associate Circuit Judge	85,158	81,792
Sidney H. Chaffin, Associate Circuit Judge	85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk	0	5
Recorder of Deeds	2	0
County Clerk	3	0
Prosecuting Attorney	5	0
Sheriff	22	0
County Collector	2	0
County Assessor	3	0
Associate Division	0	4
Probate Division	0	1
Road and Bridge	14	0
Health Center	14	0
Janitor*	2	0
Juvenile Office	2	0
Civil Defense	1	0
Johnson Grass	2	0
Drainage District #6	2	0
Drainage District #8	3	0
Emergency 911**	9	0
Solid Waste Transfer Station*	3	0
Drug Task Force	3	0
Total	92	10

* Includes one part-time employee
** Includes five part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Pemiscot County's share of the 34th Judicial Circuit's expenses is 51.16 percent.

In 1994, Pemiscot County contracted with Magna Trust Company to finance the building of a Solid Waste Transfer Station. Magna Trust Company issued $360,000 in Certificates of Participation for the Solid Waste Transfer Station. Pemiscot County entered into a 10-year lease-purchase agreement with Magna Trust Company to pay for the building. At December 31, 1998, Pemiscot County owed $235,000 in principal and $39,825 in interest for a total of $274,825.

In 1998, Pemiscot County contracted with Magna Trust Company to finance the building of a Criminal Justice Center and Jail. Magna Trust Company issued $6,605,000 in Certificates of Participation for the Criminal Justice Center and Jail. Pemiscot County entered into a 20-year lease-purchase agreement with Magna Trust Company to pay for the building. At December 31, 1998, Pemiscot County owed $6,605,000 in principal and $3,829,134 in interest for a total of $10,434,134.

AUDIT REPORT

SCHUYLER COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-80
September 17, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Schuyler, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Schuyler County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< The county is annually required to reduce its property tax levy by 50% of the sales tax collected. As of December 31, 1998, the county had not reduced property tax revenues by $66,469 as the result of excess amounts collected in prior years. To account for prior years' excess property tax revenues collected, the County Commission should reduce the general revenue tax levy in 1999 by 38 cents. The 1999 budget reflects only an estimated 21 cent general revenue property tax reduction.

The audit recommended improvements in bidding procedures, invoice processing, and county employee leave records. Also included in the audit are recommendations regarding the Schuyler County Health Center's land purchase procedures and lack of budgeting for the building project.

In addition, because of concerns over the building project recently reported to the State Auditor, additional audit procedures relating to the building project will be performed.

<u>Copies of the audit are available upon request</u>.

SCHUYLER COUNTY, MISSOURI

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State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Schuyler County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Schuyler County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997 in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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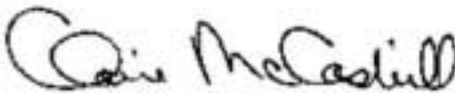
Schuyler County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 5, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Schuyler County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

May 5, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Schuyler County, Missouri

We have audited the special-purpose financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Schuyler County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Cost as finding number 98-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Schuyler County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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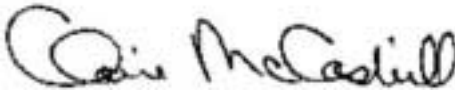
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Schuyler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 5, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 264,804	378,274	361,425	281,653
Special Road and Bridge	72,567	765,724	664,160	174,131
Assessment	0	44,938	44,915	23
Law Enforcement Training	901	1,704	1,650	955
Prosecuting Attorney Training	722	316	476	562
Health Center	267,255	367,730	381,162	253,823
Sales Tax Trust	114,858	127,559	114,858	127,559
Recorder's User Fees	6,014	1,749	705	7,058
Prosecuting Attorney Bad Check	2,340	2,917	1,027	4,230
Law Sales Tax	371	193,744	194,115	0
Schuyler County Law Enforcement	7,012	5,985	9,743	3,254
C.O.P.S.	0	34,298	34,298	0
Senior Citizens Service	3,229	16,181	15,040	4,370
Drug and Crime Control	1,012	0	635	377
Sheriff's Civil Service	1,047	3,328	242	4,133
Associate Circuit Division Interest	659	297	114	842
Circuit Clerk Interest	2,042	961	720	2,283
Law Library	287	1,285	1,222	350
Total	$ 745,120	1,946,990	1,826,507	865,603

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	202,862	444,350	382,408	264,804
Special Road and Bridge		82,169	800,280	809,882	72,567
Assessment		25	39,756	39,781	0
Law Enforcement Training		1,221	1,589	1,909	901
Prosecuting Attorney Training		773	557	608	722
Health Center		204,877	383,149	320,771	267,255
Sales Tax Trust		117,378	114,858	117,378	114,858
Recorder's User Fees		8,993	1,923	4,902	6,014
Prosecuting Attorney Bad Check		792	2,551	1,003	2,340
Law Sales Tax		0	195,823	195,452	371
Schuyler County Law Enforcement		2,575	7,398	2,961	7,012
C.O.P.S.		0	33,749	33,749	0
Senior Citizens Service		1,423	15,025	13,219	3,229
Drug and Crime Control		3,515	0	2,503	1,012
Sheriff's Civil Service		0	1,047	0	1,047
Associate Circuit Division Interest		543	448	332	659
Circuit Clerk Interest		497	1,892	347	2,042
Law Library		293	750	756	287
Total	$	627,936	2,045,145	1,927,961	745,120

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 85,200	88,028	2,828	92,800	85,440	-7,360
Sales taxes	110,000	101,869	-8,131	115,000	110,673	-4,327
Intergovernmental	27,080	73,686	46,606	27,878	83,465	55,587
Charges for services	109,150	72,550	-36,600	130,850	115,051	-15,799
Interest	9,000	10,612	1,612	8,000	10,714	2,714
Other	18,050	12,185	-5,865	15,200	15,418	218
Transfers in	41,577	19,344	-22,233	65,272	23,589	-41,683
Total Receipts	400,057	378,274	#VALUE!	455,000	444,350	#VALUE!
DISBURSEMENTS						
County Commission	37,116	36,819	297	37,130	36,767	363
County Clerk	39,679	38,123	1,556	41,592	37,499	4,093
Elections	12,000	7,896	4,104	12,000	0	12,000
Buildings and grounds	39,012	27,422	11,590	55,700	38,777	16,923
Employee fringe benefits	31,000	23,673	7,327	31,000	27,140	3,860
County Treasurer	14,603	14,445	158	14,517	14,352	165
County Collector	38,048	37,420	628	35,885	35,514	371
Circuit Clerk	3,700	3,453	247	4,100	3,819	281
Associate Circuit Court	3,150	2,398	752	4,600	4,532	68
Associate Circuit (Probate)	375	348	27	450	190	260
Court administration	16,023	4,462	11,561	36,475	11,901	24,574
Public Administrator	6,532	6,502	30	6,584	6,478	106
Public health and welfare services	8,499	5,162	3,337	5,091	5,550	-459
Other	42,045	44,045	-2,000	42,609	40,525	2,084
Transfers out	135,180	109,257	25,923	143,307	119,364	23,943
Emergency Fund	12,002	0	12,002	12,625	0	12,625
Total Disbursements	438,964	361,425	77,539	483,665	382,408	101,257
RECEIPTS OVER (UNDER) DISBURSEMENTS	-38,907	16,849	#VALUE!	-28,665	61,942	#VALUE!
CASH, JANUARY 1	264,804	264,804	0	202,862	202,862	0
CASH, DECEMBER 31	$ 225,897	281,653	#VALUE!	174,197	264,804	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 185,000	190,110	5,110	184,100	183,297	-803
Intergovernmental	472,626	529,562	56,936	779,500	593,685	-185,815
Charges for services	14,800	23,953	9,153	11,000	11,499	499
Interest	5,000	9,941	4,941	7,000	5,515	-1,485
Other	4,800	12,158	7,358	4,500	6,284	1,784
Total Receipts	682,226	765,724	83,498	986,100	800,280	-185,820
DISBURSEMENTS						
Salaries	168,500	134,199	34,301	165,000	163,297	1,703
Employee fringe benefits	33,000	18,955	14,045	29,000	31,502	-2,502
Supplies	38,500	22,763	15,737	39,500	33,686	5,814
Insurance	9,000	7,890	1,110	8,000	8,295	-295
Road and bridge materials	136,000	112,860	23,140	132,000	97,933	34,067
Equipment repairs	27,000	25,122	1,878	25,000	21,828	3,172
Rentals	0	8,268	-8,268	4,000	0	4,000
Equipment purchases	60,000	60,146	-146	50,000	72,195	-22,195
Construction, repair, and maintenance	174,474	227,795	-53,321	525,000	323,736	201,264
Other	32,990	26,818	6,172	35,328	33,821	1,507
Transfers out	20,384	19,344	1,040	30,385	23,589	6,796
Total Disbursements	699,848	664,160	35,688	1,043,213	809,882	233,331
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,622	101,564	119,186	-57,113	-9,602	47,511
CASH, JANUARY 1	72,567	72,567	0	82,169	82,169	0
CASH, DECEMBER 31	$ 54,945	174,131	119,186	25,056	72,567	47,511

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 41,651	38,996	-2,655	40,333	37,357	-2,976
Charges for services	900	820	-80	800	887	87
Interest	240	249	9	210	235	25
Other	250	163	-87	300	225	-75
Transfers in	3,861	4,710	849	4,623	1,052	-3,571
Total Receipts	46,902	44,938	-1,964	46,266	39,756	-6,510
DISBURSEMENTS						
Assessor	46,902	44,915	1,987	46,266	39,781	6,485
Total Disbursements	46,902	44,915	1,987	46,266	39,781	6,485
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	23	23	0	-25	-25
CASH, JANUARY 1	0	0	0	25	25	0
CASH, DECEMBER 31	$ 0	23	23	25	0	-25

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Introgovernmental	$ 350	452	102	0	319	319
Charges for services	1,750	1,252	-498	1,600	1,270	-330
Total Receipts	2,100	1,704	-396	1,600	1,589	-11
DISBURSEMENTS						
Sheriff	2,000	1,650	350	1,900	1,909	-9
Total Disbursements	2,000	1,650	350	1,900	1,909	-9
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	54	-46	-300	-320	-20
CASH, JANUARY 1	901	901	0	1,221	1,221	0
CASH, DECEMBER 31	$ 1,001	955	-46	921	901	-20

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 600	316	-284	676	557	-119
Total Receipts	600	316	-284	676	557	-119
DISBURSEMENTS						
Prosecuting Attorney	924	476	448	1,268	608	660
Total Disbursements	924	476	448	1,268	608	660
RECEIPTS OVER (UNDER) DISBURSEMENTS	-324	-160	164	-592	-51	541
CASH, JANUARY 1	722	722	0	773	773	0
CASH, DECEMBER 31	$ 398	562	164	181	722	541

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 40,000	44,955	4,955	40,000	42,136	2,136
Intergovernmental	215,374	258,175	42,801	170,110	278,702	108,592
Charges for services	39,808	40,157	349	44,440	40,403	-4,037
Interest	15,000	15,150	150	9,000	14,409	5,409
Other	5,200	9,293	4,093	7,400	7,499	99
Total Receipts	315,382	367,730	52,348	270,950	383,149	112,199
DISBURSEMENTS						
Salaries	232,912	272,297	-39,385	195,424	235,786	-40,362
Building construction	0	29,086	-29,086	0	0	0
Office expenditures	15,800	21,560	-5,760	16,800	15,996	804
Equipment	13,300	14,338	-1,038	12,300	19,273	-6,973
Mileage and training	12,600	10,035	2,565	10,200	11,247	-1,047
Other	40,770	33,846	6,924	38,225	38,469	-244
Total Disbursements	315,382	381,162	-65,780	272,949	320,771	-47,822
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-13,432	-13,432	-1,999	62,378	64,377
CASH, JANUARY 1	267,255	267,255	0	204,877	204,877	0
CASH, DECEMBER 31	$ 267,255	253,823	-13,432	202,878	267,255	64,377

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SALES TAX TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	$ 110,564	122,744	12,180	121,238	110,565	-10,673
Interest	4,300	4,815	515	4,000	4,293	293
Total Receipts	114,864	127,559	12,695	125,238	114,858	-10,380
DISBURSEMENTS						
Rock	114,858	114,858	0	117,379	117,378	1
Total Disbursements	114,858	114,858	0	117,379	117,378	1
RECEIPTS OVER (UNDER) DISBURSEMENTS	6	12,701	12,695	7,859	-2,520	-10,379
CASH, JANUARY 1	114,858	114,858	0	117,378	117,378	0
CASH, DECEMBER 31	$ 114,864	127,559	12,695	125,237	114,858	-10,379

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,700	1,438	-262	1,800	1,760	-40
Interest	135	311	176	0	163	163
Total Receipts	1,835	1,749	86	1,800	1,923	123
DISBURSEMENTS						
Recorder	6,200	705	5,495	10,793	4,902	5,891
Total Disbursements	6,200	705	5,495	10,793	4,902	5,891
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,365	1,044	-5,409	-8,993	-2,979	-5,768
CASH, JANUARY 1	6,014	6,014	0	8,993	8,993	0
CASH, DECEMBER 31	$ 1,649	7,058	5,409	0	6,014	6,014

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,500	2,917	417	2,500	2,551	51
Total Receipts	2,500	2,917	417	2,500	2,551	51
DISBURSEMENTS						
Prosecuting Attorney	2,000	1,027	973	3,292	1,003	2,289
Total Disbursements	2,000	1,027	973	3,292	1,003	2,289
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,890	1,390	-792	1,548	2,340
CASH, JANUARY 1	2,340	2,340	0	792	792	0
CASH, DECEMBER 31	$ 2,840	4,230	1,390	0	2,340	2,340

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 110,000	122,601	12,601	115,000	110,825	-4,175
Interest	0	142	142	0	170	170
Transfers in	96,522	71,001	-25,521	105,875	84,828	-21,047
Total Receipts	206,522	193,744	-12,778	220,875	195,823	-25,052
DISBURSEMENTS						
Sheriff	80,673	80,519	154	81,142	77,840	3,302
Jail	57,500	50,816	6,684	69,047	55,980	13,067
Prosecuting Attorney	37,812	37,442	370	38,375	37,827	548
Juvenile Office	21,477	19,877	1,600	22,851	18,394	4,457
Coroner	9,060	5,461	3,599	9,460	5,411	4,049
Total Disbursements	206,522	194,115	12,407	220,875	195,452	25,423
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-371	-371	0	371	371
CASH, JANUARY 1	0	371	371	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	371	371

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SCHUYLER COUNTY LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 6,000	5,483	-517	10,000	7,347	-2,653
Interest	0	0	0	0	51	51
Transfers in	0	502	502	0	0	0
Total Receipts	6,000	5,985	-15	10,000	7,398	-2,602
DISBURSEMENTS						
Sheriff	4,995	1,706	3,289	6,223	2,880	3,343
Prosecuting Attorney	8,016	8,037	-21	6,000	81	5,919
Total Disbursements	13,011	9,743	3,268	12,223	2,961	9,262
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,011	-3,758	3,253	-2,223	4,437	6,660
CASH, JANUARY 1	7,012	7,012	0	2,575	2,575	0
CASH, DECEMBER 31	$ 1	3,254	3,253	352	7,012	6,660

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
C.O.P.S.

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Transfers in	$ 34,798	34,298	-500	45,272	33,749	-11,523
Total Receipts	34,798	34,298	-500	45,272	33,749	-11,523
DISBURSEMENTS						
Sheriff	34,798	34,298	500	32,809	33,749	-940
Total Disbursements	34,798	34,298	500	32,809	33,749	-940
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	12,463	0	-12,463
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	12,463	0	-12,463

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZENS SERVICE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Property taxes	$ 15,000	15,876	876
Interest	0	305	305
Total Receipts	15,000	16,181	1,181
DISBURSEMENTS			
Senior center	15,515	15,040	475
Total Disbursements	15,515	15,040	475
RECEIPTS OVER (UNDER) DISBURSEMENTS	-515	1,141	1,656
CASH, JANUARY 1	3,229	3,229	0
CASH, DECEMBER 31	$ 2,714	4,370	1,656

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG AND CRIME CONTROL FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	$ 2,000	0	-2,000
Total Receipts	2,000	0	-2,000
DISBURSEMENTS			
Sheriff	2,406	635	1,771
Total Disbursements	2,406	635	1,771
RECEIPTS OVER (UNDER) DISBURSEMENTS	-406	-635	-229
CASH, JANUARY 1	1,012	1,012	0
CASH, DECEMBER 31	$ 606	377	-229

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL SERVICE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 2,000	3,328	1,328
Total Receipts	2,000	3,328	1,328
DISBURSEMENTS			
Sheriff	2,995	242	2,753
Total Disbursements	2,995	242	2,753
RECEIPTS OVER (UNDER) DISBURSEMENTS	-995	3,086	4,081
CASH, JANUARY 1	1,047	1,047	0
CASH, DECEMBER 31	$ 52	4,133	4,081

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 400	297	-103
Total Receipts	400	297	-103
DISBURSEMENTS			
Associate Clerk	300	114	186
Total Disbursements	300	114	186
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	183	83
CASH, JANUARY 1	659	659	0
CASH, DECEMBER 31	$ 759	842	83

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 1,200	961	-239
Total Receipts	1,200	961	-239
DISBURSEMENTS			
Circuit Clerk	2,800	720	2,080
Total Disbursements	2,800	720	2,080
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,600	241	1,841
CASH, JANUARY 1	2,042	2,042	0
CASH, DECEMBER 31	$ 442	2,283	1,841

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 750	1,285	535
Total Receipts	750	1,285	535
DISBURSEMENTS			
Office expenditures	1,037	1,222	-185
Total Disbursements	1,037	1,222	-185
RECEIPTS OVER (UNDER) DISBURSEMENTS	-287	63	350
CASH, JANUARY 1	287	287	0
CASH, DECEMBER 31	$ 0	350	350

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

SCHUYLER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, Health Center Board of Trustees, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Senior Citizens Fund	1997
Drug and Crime Control Fund	1997
Sheriff Civil Service Fund	1997
Associate Division Interest Fund	1997
Circuit Clerk Interest Fund	1997
Law Library Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Health Center Fund	1998 and 1997
Law Library Fund	1998
Law Enforcement Training Fund	1997
COPS Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county’s bank balance at December 31, 1998, $813,156 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $37,565 was uninsured and uncollateralized.

Of the county’s bank balance at December 31, 1997, $820,061 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and $10,949 was uninsured and uncollateralized.

The health center's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the health center's name.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Property Tax

Through December 31, 1998, Schuyler County had collected $66,469 in excess property taxes. Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales tax collected. Schuyler County voters enacted a 1/2 cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales taxes received.

4. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $70,593 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $32,341. As of December 31, 1998, $13,974 remains to be paid.

Supplementary Schedule

Schedule

SCHUYLER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045	$ 13,825	15,776
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	97-PF-24	5,675	8,148
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	ERO-1640266	7,320	3,522
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	96-UM-WX-1487	21,077	29,403
16.unknown	Equitable Sharing of Seized and Forfeited Property	NA	635	2,503
	Passed through:			
	State Department of Public Safety -			
16.6	Local Law Enforcement Block Grants Program	97-LBG-D93	5,008	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	NA	460	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and	BRO-098(10)	12,914	241,667
	Rehabilitation Program	BRO-098(13)	137,937	50,124
	Program Total		150,851	291,791
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	NA	1,101	6,050
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			

	Department of Health -			
93.3	Immunization Grants	PG0064-9199IAP	3,055	700
93.6	Homeless Challenge Program	HCP-50	1,800	1,800
	Department of Health-			
93.6	Child Care and Development Block Grant	ERO146-9199	2,053	1,585
		PG0067-9199	510	130
	Program Total		2,563	1,715
::				
94.0	Maternal and Child Health Services			
	Block Grant to the States	ERO146-9199MCH	10,941	13,934
	Total Expenditures of Federal Awards	$	224,311	375,342

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

SCHUYLER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Schuyler County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $7,320 and $3,522 to a subrecipient under Emergency Shelter Grants Program (CFDA number 14.231) during

the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Schuyler County, Missouri

Compliance

We have audited the compliance of Schuyler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

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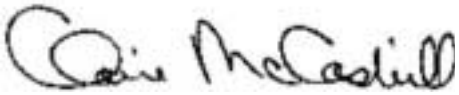
In our opinion, Schuyler County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

Internal Control Over Compliance

The management of Schuyler County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Schuyler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 5, 1999 (fieldwork completion date)

Schedule

SCHUYLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes ___x___ no

Reportable condition identified that is not considered to be material weakness? _____ yes ___x___ none reported

Noncompliance material to the financial statements noted? ___x___ yes _____ no

Federal Awards

Internal control over major program:

Material weakness identified? _____ yes ___x___ no

Reportable condition identified that is not considered to be material weakness? _____ yes ___x___ none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes ___x___ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1.	**County Sales Tax**

In 1987, voters authorized a ½ cent county sales tax with a ballot restriction under the provisions of Section 67.505 RSMo 1994, that provided the county would annually reduce its property tax levy by 50 percent of the total amount of sales tax collected. As noted in our prior three reports, the county has not reduced its property tax sufficiently, according to the terms of the ballot.

Following are the calculations of the property tax roll back and sales tax collections for the two years ended December 31, 1998, and excess property taxes of prior years:

		Year Ended December 31,			
		1998		1997	
Actual sales tax revenue	$	101,869		110,673	
Required percentage of reduction	X	50	%	50	%
Required property tax revenue reduction		50,935		55,337	
Assessed valuation		31,366,528		30,993,858	
General Revenue Fund tax levy reduction (per $100 assessed valuation)	X	0.20		0.19	
Actual property tax revenue reduction		62,733		58,888	
Excess property tax revenues collected		(11,798)		(3,551)	
Excess property tax revenues collection from prior years		78,267		81,818	
Excess through December 31,	$	66,469		78,267	

The roll back was insufficient to offset prior years' excess property tax revenue collections. Additional reductions will need to be made in future years to offset the balance of prior years' excess property tax revenue collections. Based on estimated assessed valuation and estimated sales tax revenue as reflected on the 1999 budget, and to account for prior years' excess property tax revenues collected, the County Commission should reduce the general

revenue tax levy in 1999 by 38 cents. The 1999 budget reflects only an estimated 21 cent general revenue property tax reduction.

WE AGAIN RECOMMEND the County Commission ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We have reduced the excess property taxes collected by over $15,000 during the audit period and will continue to try to reduce the remaining excess balance in the future, depending on the county's current financial condition.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SCHUYLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Schuyler County, Missouri, on the applicable findings in our prior audit report issued for the two years ended December 31, 1998.

1. County Sales Tax

The county did not sufficiently reduce its general property tax levy to fully comply with the County Sales Tax Act. As of December 31, 1996, property tax revenues collected were $81,818 in excess of allowable amounts.

Recommendation:

The County Commission ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

Status:

Not implemented. See MAR No. 98-1

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SCHUYLER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

SCHUYLER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 5, 1999. We also have audited the compliance of Schuyler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 5, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Schuyler County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*

1. County Expenditures

A. Bids were not always solicited by the county nor was bid documentation always retained for various purchases. The county indicated they often solicited bids by phone or items were sometimes purchased from sole source suppliers. Examples of the items purchased without documentation of bids and/or advertisement included road and bridge insurance coverage for over $7,600, courthouse doors for over $5,800, and law enforcement radios and antennas for over $5,000.

Section 50.660, RSMo Cum. Supp. 1998, requires the county to solicit bids for purchases greater than $4,500 from any one person, firm, or corporation during any period of ninety days. In addition, Sections 67.150 and 376.696, RSMo 1994, discuss competitive bidding for insurance.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all parties are given an equal opportunity to participate in county business. To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding.

B. Indication of receipt of goods and services was not documented on invoices by the employee receiving the goods and services. We noted instances in which invoices for gravel, fuel and oil, law enforcement equipment, and supplies did not indicate goods had been received. To ensure payments are made only for goods and services actually received, the receipt of goods or services should be noted on the invoices before payment is approved.

WE RECOMMEND the County Commission:

A. Solicit bids for all items in accordance with Section 50.660, RSMo Cum. Supp. 1998. Documentation of bids solicited and justification of bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

B. Require acknowledgment of the receipt of goods and services prior to the approval of an invoice for payment.

AUDITEE'S RESPONSE

A& B. We will try to comply with these recommendations.

2.	Health Center

A. Based upon discussions with the former Administrator and the Health Center Board of Trustees, the need for a new office building has been under consideration for some time. A new building was needed because of safety concerns, poor foundation and roof, lack of compliance with the Americans with Disabilities Act, limited parking, and carbon monoxide problems.

Several possible approaches were considered and the board ultimately decided to purchase a building site. The former Health Center Administrator viewed three building sites for the board's consideration, however, two of the sites were sold before the board could make a decision on which one to purchase. In July 1998, after considering the remaining site, the board decided to buy it at the asking price of $7,500. None of the information on the two alternate sites was documented in the board minutes or other records.

The Assessor's office had this property appraised at $2,534, but an independent appraisal was not obtained prior to purchasing the property to ensure the price was reasonable. Independent appraisals as well as documentation of the selection process and price negotiations are particularly necessary when amounts paid exceed the Assessor's appraised value to ensure the purchase price of the property is reasonable.

B. Actual Health Center Fund expenditures exceeded budgeted amounts during the years ended December 31, 1998 and 1997 by approximately $65,700 and $47,800, respectively. The Health Center Fund overspending was primarily a result of unbudgeted construction costs for a new office building in 1998 and increases in employee salary expenditures in 1998 and 1997.

It was ruled in State ex rel Strong v. Cribb 364 Mo. 1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing an amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

C. Our review of the Health Center's general fixed asset records and procedures indicated that annual inventories of general fixed assets are not performed, building and land values are not included on the inventory listing, additions and deletions of general fixed assets are not recorded in the property records as they occur, and the administrator does not reconcile the general fixed asset records to asset purchases and deletions.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal control over county property, and provide a basis for determining proper insurance coverage.

D. Subsequent to the completion of our audit fieldwork several additional concerns regarding the Health Center's building project have been brought to our attention. We have received reports of public concerns and questions that have been directed to the Schuyler County Commission and the members of the Health Center Board.

Because of these concerns, we plan to perform additional audit procedures relating to the building project. The results of such work will be made available to the county. As a result, we have no additional recommendation at this time.

WE RECOMMEND the Health Center Board of Directors:

A. Ensure justification of the selection process is thoroughly documented and an independent appraisal is obtained for future land purchases.

B. Not authorize expenditures in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budget properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

C. Perform and document annual inventories of general fixed assets, maintain accurate general fixed asset records on a current basis, and periodically reconcile these records to general fixed asset additions and deletions.

AUDITEE'S RESPONSE

The Schuyler County Health Department:

A. Will ensure justification of the selection process is thoroughly documented and an independent appraisal is obtained for future land purchases. We plan to have an independent appraisal completed on the new building in the near future.

B. Will not authorize expenditures in excess of budgeted expenditures. In case of extenuating circumstances this will be fully documented and, if necessary, the budget will be properly

amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

C. Will perform and document annual inventories of general fixed assets. In addition, we will maintain accurate general fixed asset records on a current basis and periodically reconcile these records to general fixed asset additions and deletions.

We have always added new inventory items to the inventory list but due to the fact that nothing was ever deleted when broken or outdated, the inventory left a false impression of assets. We are in the process of accounting for current inventory items and documenting the items that we have disposed of over the years. While our inventory is still not complete, we are well on the way to having an accurate inventory and will subsequently do an annual inventory of all asset items and documentation will be accurate from now on.

We understand that we have made mistakes and plan to correct them accordingly.

3. Employee Leave Records and Procedures

Records of annual leave, sick leave, and compensatory time balances are not centrally maintained. The County Clerk indicated leave records are to be maintained by each individual office, however, our review noted the County Clerk, Collector, and Assessor offices are not maintaining leave records to adequately account for employees' accumulated leave balances.

Without accurate and centralized leave record keeping, the County Commission cannot ensure that employees' annual leave, sick leave, and compensatory time balances are accurate. Centralized leave records also aid in determining final compensation for employees leaving county employment. In addition, such records would better document compliance with the Fair Labor Standards Act.

WE RECOMMEND the County Clerk maintain centralized leave records for all county employees.

AUDITEE'S RESPONSE

The County Commission and County Clerk responded that they believe current procedures are adequate for this county at this time.

This report is intended for the information of the management of Schuyler County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

SCHUYLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Schuyler County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. Finding number 1 is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

2. Documentation of Reimbursable Expenses

A. The Circuit Court Judge charged his monthly expenses to the counties of the 1st Judicial Circuit, Schuyler, Clark, and Scotland counties; however, not all expense claims were evidenced by supporting documentation or contracts.

B. The former Prosecuting Attorney submitted expense claims to Schuyler County which were not evidenced by supporting documentation or contracts.

C. The Sheriff submitted an expense claim for hotel expenses incurred for training purposes which was not evidenced by supporting documentation.

Recommendation:

The County Commission require adequate supporting documentation prior to approving expenditures for payment. All county contracts should be in writing and rental agreements should be supported by documentation of how rental amounts were determined. In addition, unsupported payments should be included on W-2 forms.

Status:

Partially implemented. The Prosecuting Attorney and Sheriff submit supporting documentation with all expense claims; however, the Circuit Court Judge does not. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Sheriff's Federal Financial Assistance

A. The Sheriff maintained a bank account, designated as the Drug and Crime Control Fund, outside the county treasury.

B. Federal funds were used to purchase equipment items not allowed by grant regulations.

C. The Sheriff’s Office did not maintain copies of invoices or other documentation for some purchases made from grant funds.

D. The Sheriff's Office did not file annual grant certifications required by the Equitable Sharing of Seized and Forfeited Property program.

Recommendation:

The Sheriff:

A. Turn remaining Drug and Crime Control Fund monies over to the County Treasurer to be placed in a special fund established by the County Commission. Expenditures requested by the Sheriff from this fund should be made by duly authorized warrants.

B. Consult with the grantor agency to resolve the questioned costs. In addition, the Sheriff should ensure all future purchases are allowable under the program restrictions.

C. Consult with the grantor agency to resolve the questioned costs. In addition, the Sheriff should ensure proper documentation of grant expenditures is retained.

D. Consult with the grantor agency to resolve this issue. In addition, certifications should be prepared in the future, in accordance with grant requirements.

Status:

A. The Sheriff turned the Drug and Crime Control Fund over to the County Treasurer on February 17, 1998.

B&C. The Sheriff consulted with the Missouri Sheriff's Association and obtained approval of the questioned costs. Procedures have been revised so that all purchases are preapproved and the grantor agency makes direct payment to vendors. The Sheriff did not receive domestic Cannabis Eradication/Suppression program funds during the two years ended December 31, 1998. However, the Sheriff indicated that he will retain proper documentation for any future expenditures of Domestic Cannabis Eradication/Suppression program funds.

D. The Sheriff sent a report to the U.S. Department of Justice documenting fund balances, sharings received, interest accrued, and total spent for the Equitable Sharing of Seized and Forfeited Property program.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SCHUYLER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845 the county of Schuyler was named after General Phillip Schuyler of the Revolution. Schuyler County is a county-organized, third-class county and is part of the 1st Judicial Circuit. The county seat is Lancaster.

Schuyler County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Schuyler County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 278,138	24	268,737	22
Sales taxes	101,869	9	110,673	9
Federal and state aid	603,248	53	677,150	54
Fees, interest, and other	160,743	14	188,070	15
Total	$ 1,143,998	100	1,244,630	100

The following chart shows how Schuyler County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 361,425	35	382,408	32
Highways and roads	664,160	65	809,882	68
Total	$ 1,025,585	100	1,192,290	100

::
In addition, significant sales tax receipts and public safety expenses are accounted for in the Law

Sales Tax Fund. Receipts totaled $193,744 and $195,823 and disbursements totaled $194,115 and $195,452 for the years ended December 31, 1998 and 1997, respectively.

The county maintains approximately 86 county bridges and 335 miles of county roads.

The county's population was 4,665 in 1970 and 4,236 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
			(in millions)		
Real estate	$ 16.8	16.5	16.2	9.1	5.7
Personal property	8.2	8.0	4.6	3.9	2.2
Railroad and utilities	6.4	6.5	6.8	6.1	4.6
Total	$ 31.4	31.0	27.6	19.1	12.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Schuyler County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .29	.29
Special Road and Bridge Fund*	.26	.25
Health Center Fund	.15	.15
Senior Citizens Service Fund	.05	.05

* The county retains all tax proceeds from areas not within road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

::

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 9,104	8,989
General Revenue Fund	87,333	86,228
Special Road and Bridge Fund	81,926	78,472
Assessment Fund	17,994	15,354
Health Center Fund	45,017	44,431
School districts	820,824	811,904
Library district	30,004	29,622
Ambulance district	89,908	86,070
Surtax	18,599	18,439
Special road district	136,106	132,074

Nursing home		45,015	44,408
Nursing home bond		0	276
School bond		227,168	123,396
Senior services		15,024	14,684
Investment interest		1,825	3,373
Cities		32,277	11,689
County Clerk		3,186	790
County Employees' Retirement		6,788	6,599
Commissions and fees:			
General Revenue Fund		29,903	30,000
County Collector		499	0
Total	$	1,698,500	1,546,798

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	93.0 %	93.0 %
Personal property	89.0	90.0
Railroad and utilities	100.0	100.0

Schuyler County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50
Road and Bridge		.0050	2000	None
Law Enforcement		.0050	None	None

::

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Eldon Tallman, Presiding Commissioner	$		11,860	11,860
Jack Gray, Associate Commissioner			11,860	11,860
Jaye Baxter, Associate Commissioner			11,860	11,860
Doyle Talbert, County Clerk			21,596	21,596
Brenda Wall-Swedberg, Prosecuting Attorney			25,285	25,285
Donald Bruner, Sheriff			20,250	20,250
Lura Darr, County Treasurer			13,338	13,338
Douglas B. Norman, County Coroner			3,960	3,960
Theresa Tallman, Public Administrator *			6,000	6,000
Kathy Roberts, County Collector, year ended February 28,**		22,294	21,795	
Roger Lucas, County Assessor, year ended August 31,***			22,940	22,513

* No fees were received from probate cases. Amounts represent county salary only.

** Includes $499 of commissions earned for collecting city property taxes for the year ended February 28, 1999.

*** Includes $900 annual compensation received from State.

State-Paid Officials:		
Judy Keim, Circuit Clerk and Ex Officio Recorder of Deeds	42,183	40,176
Stephen K. Wilcox, Associate Circuit Judge	85,158	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk and Ex Officio Recorder of Deeds	0	1
County Clerk	1	0
Prosecuting Attorney (1)	1	0
Sheriff (2)	8	0
County Collector	1	0
County Assessor	1	0
Associate Division	0	1
Probate Division (1)	0	1
Road and Bridge	10	0
Health Center (1)	11	0
Total	33	3

(1) Includes one part-time employee.
(2) Includes one part-time dispatcher.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Schuyler County's share of the 1st Judicial Circuit's expenses is 25.51 percent.

AUDIT REPORT

CRAWFORD COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-79
September 17, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Crawford, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Crawford County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

YELLOW SHEET

CRAWFORD COUNTY, MISSOURI

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Exhibit	Description
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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Crawford County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Crawford County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Crawford County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Crawford County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Crawford County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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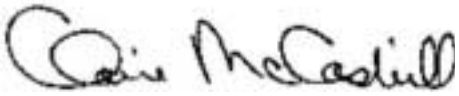
Crawford County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 13, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Crawford County, Missouri

We have audited the special-purpose financial statements of various funds of Crawford County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Crawford County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Crawford County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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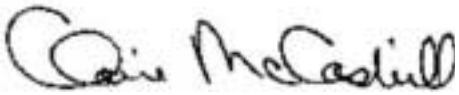
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Crawford County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	16,164	1,774,902	1,764,044	27,022
Special Road and Bridge		841,039	1,600,680	1,482,668	959,051
Assessment		19,280	130,463	123,931	25,812
Law Enforcement Training		2,651	6,475	7,242	1,884
Prosecuting Attorney Training		2,300	1,753	648	3,405
ADA 5%		26,906	34,089	3,875	57,120
Handicap Building		118,151	7,675	0	125,826
Courthouse and Jail		35,795	66,504	61,774	40,525
Prosecuting Attorney Bad Check		1,969	9,460	5,708	5,721
Prosecuting Attorney Delinquent Tax		1,360	82	288	1,154
Records Preservation		9,248	13,039	17,538	4,749
Law Enforcement Equipment		5,927	7,751	7,333	6,345
Sheriff's Special		11,548	48,332	17,311	42,569
Children's Trust		7,076	1,217	4,000	4,293
County Use Tax		110,583	3,826	114,409	0
Special Law Enforcement		7,806	27,841	25,193	10,454
E911 Board		4,048	375,392	224,923	154,517
Circuit Clerk Interest		17	10,425	10,435	7
Associate Interest		2,590	4,615	3,536	3,669
Law Library		14,369	10,298	9,526	15,141
Total	$	1,238,827	4,134,819	3,884,382	1,489,264

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	21,737	1,604,387	1,609,960	16,164
Special Road and Bridge		559,148	1,482,394	1,200,503	841,039
Assessment		11,276	123,148	115,144	19,280
Law Enforcement Training		3,224	4,568	5,141	2,651
Prosecuting Attorney Training		1,698	2,719	2,117	2,300
ADA 5%		5,383	30,500	8,977	26,906
Handicap Building		110,860	7,291	0	118,151
Courthouse and Jail		36,353	61,930	62,488	35,795
Prosecuting Attorney Bad Check		2,248	14,702	14,981	1,969
Prosecuting Attorney Delinquent Tax		1,313	197	150	1,360
Records Preservation		7,702	11,492	9,946	9,248
Law Enforcement Equipment		13,436	9,685	17,194	5,927
Sheriff's Special		0	15,940	4,392	11,548
Children's Trust		6,612	1,464	1,000	7,076
County Use Tax		103,617	6,966	0	110,583
Special Law Enforcement		11,294	13,606	17,094	7,806
E911		42,045	93,598	135,643	0
E911 Board		0	100,827	96,779	4,048
Circuit Clerk Interest		57	3,979	4,019	17
Associate Interest		837	5,200	3,447	2,590
Law Library		11,342	8,584	5,557	14,369
Total	$	950,182	3,603,177	3,314,532	1,238,827

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 84,695	104,651	19,956	70,000	58,155	-11,845
Sales taxes	695,000	685,337	-9,663	675,000	653,574	-21,426
Intergovernmental	456,173	410,596	-45,577	434,064	406,523	-27,541
Charges for services	363,100	367,899	4,799	330,000	318,745	-11,255
Interest	6,000	5,974	-26	7,000	4,590	-2,410
Other	199,118	162,448	-36,670	117,770	162,437	44,667
Transfers in	46,700	37,997	-8,703	50,000	363	-49,637
Total Receipts	1,850,786	1,774,902	-75,884	1,683,834	1,604,387	-79,447
DISBURSEMENTS						
County Commission	52,700	52,838	-138	51,825	53,510	-1,685
County Clerk	75,166	72,716	2,450	74,046	72,865	1,181
Elections	49,000	44,919	4,081	12,500	4,270	8,230
Buildings and grounds	64,500	69,078	-4,578	60,000	74,173	-14,173
Employee fringe benefits	161,000	132,760	28,240	132,000	117,015	14,985
County Treasurer	24,295	22,518	1,777	26,295	23,611	2,684
County Collector	80,060	78,506	1,554	79,140	80,802	-1,662
Ex Officio Recorder of Deeds	36,507	36,467	40	37,187	36,064	1,123
Circuit Clerk	12,750	12,500	250	16,550	12,673	3,877
Associate Circuit Court	9,800	7,586	2,214	11,200	8,573	2,627
Court administration	8,925	4,113	4,812	10,027	6,352	3,675
Public Administrator	21,275	29,688	-8,413	19,525	23,100	-3,575
Sheriff	375,928	371,644	4,284	420,856	432,039	-11,183
Jail	179,856	196,702	-16,846	82,748	68,376	14,372
Prosecuting Attorney	88,100	85,036	3,064	85,598	82,251	3,347
Juvenile Officer	76,236	77,911	-1,675	63,419	65,112	-1,693
County Coroner	11,500	11,333	167	11,300	10,740	560
Public health and welfare services	221,960	221,718	242	199,075	205,066	-5,991
Other	242,582	212,024	30,558	215,409	227,669	-12,260
Transfers out	0	0	0	0	1,064	-1,064
Emergency Fund	55,523	23,987	31,536	49,795	4,635	45,160
Total Disbursements	1,847,663	1,764,044	83,619	1,658,495	1,609,960	48,535
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,123	10,858	7,735	25,339	-5,573	-30,912
CASH, JANUARY 1	16,164	16,164	0	21,767	21,737	-30
CASH, DECEMBER 31	$ 19,287	27,022	7,735	47,106	16,164	-30,942

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 320,157	312,388	-7,769	286,000	270,372	-15,628
Sales taxes	531,758	538,723	6,965	500,000	506,440	6,440
Intergovernmental	666,000	683,388	17,388	726,000	649,185	-76,815
Charges for services	4,500	1,534	-2,966	4,000	6,067	2,067
Interest	50,000	62,688	12,688	40,000	49,910	9,910
Other	4,200	1,959	-2,241	21,100	420	-20,680
Total Receipts	1,576,615	1,600,680	24,065	1,577,100	1,482,394	-94,706
DISBURSEMENTS						
Salaries	475,000	447,928	27,072	427,000	412,233	14,767
Employee fringe benefits	124,500	100,451	24,049	113,288	103,816	9,472
Supplies	169,000	131,937	37,063	170,000	130,875	39,125
Insurance	20,000	11,678	8,322	30,000	8,840	21,160
Road and bridge materials	500,000	531,485	-31,485	400,000	313,883	86,117
Equipment repairs	115,000	74,610	40,390	90,000	102,648	-12,648
Rentals	10,000	0	10,000	10,000	0	10,000
Equipment purchases	400,000	57,689	342,311	525,000	106,226	418,774
Construction, repair, and maintenance	300,000	66,298	233,702	150,000	20,406	129,594
Other	28,500	28,592	-92	28,500	1,576	26,924
Transfers out	32,000	32,000	0	0	0	0
Total Disbursements	2,174,000	1,482,668	691,332	1,943,788	1,200,503	743,285
RECEIPTS OVER (UNDER) DISBURSEMENTS	-597,385	118,012	715,397	-366,688	281,891	648,579
CASH, JANUARY 1	841,039	841,039	0	559,148	559,148	0
CASH, DECEMBER 31	$ 243,654	959,051	715,397	192,460	841,039	648,579

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 126,795	124,606	-2,189	119,200	119,448	248
Charges for services	0	2,355	2,355	0	0	0
Interest	2,100	3,394	1,294	2,000	2,540	540
Other	0	108	108	0	1,160	1,160
Total Receipts	128,895	130,463	1,568	121,200	123,148	1,948
DISBURSEMENTS						
Assessor	129,192	123,931	5,261	115,596	115,144	452
Total Disbursements	129,192	123,931	5,261	115,596	115,144	452
RECEIPTS OVER (UNDER) DISBURSEMENTS	-297	6,532	6,829	5,604	8,004	2,400
CASH, JANUARY 1	19,280	19,280	0	11,276	11,276	0
CASH, DECEMBER 31	$ 18,983	25,812	6,829	16,880	19,280	2,400

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,000	3,293	-1,707	7,000	4,568	-2,432
Intergovernmental	0	3,082	3,082	0	0	0
Transfers in	0	100	100	0	0	0
Total Receipts	5,000	6,475	1,475	7,000	4,568	-2,432
DISBURSEMENTS						
Sheriff	5,100	7,242	-2,142	7,600	5,141	2,459
Total Disbursements	5,100	7,242	-2,142	7,600	5,141	2,459
RECEIPTS OVER (UNDER) DISBURSEMENTS	-100	-767	-667	-600	-573	27
CASH, JANUARY 1	2,651	2,651	0	3,224	3,224	0
CASH, DECEMBER 31	$ 2,551	1,884	-667	2,624	2,651	27

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,000	1,753	-1,247	3,000	2,719	-281
Total Receipts	3,000	1,753	-1,247	3,000	2,719	-281
DISBURSEMENTS						
Prosecuting Attorney	2,600	648	1,952	3,600	2,117	1,483
Total Disbursements	2,600	648	1,952	3,600	2,117	1,483
RECEIPTS OVER (UNDER) DISBURSEMENTS	400	1,105	705	-600	602	1,202
CASH, JANUARY 1	2,300	2,300	0	1,698	1,698	0
CASH, DECEMBER 31	$ 2,700	3,405	705	1,098	2,300	1,202

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ADA 5% FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 30,981	31,689	708	30,400	29,790	-610
Interest	800	2,400	1,600	1,000	710	-290
Total Receipts	31,781	34,089	2,308	31,400	30,500	-900
DISBURSEMENTS						
Other	10,000	3,875	6,125	20,000	8,977	11,023
Total Disbursements	10,000	3,875	6,125	20,000	8,977	11,023
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,781	30,214	8,433	11,400	21,523	10,123
CASH, JANUARY 1	26,906	26,906	0	5,383	5,383	0
CASH, DECEMBER 31	$ 48,687	57,120	8,433	16,783	26,906	10,123

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HANDICAP BUILDING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 8,000	7,675	-325	5,000	7,291	2,291
Total Receipts	8,000	7,675	-325	5,000	7,291	2,291
DISBURSEMENTS						
Building purchase	100,000	0	100,000	90,500	0	90,500
Total Disbursements	100,000	0	100,000	90,500	0	90,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-92,000	7,675	99,675	-85,500	7,291	92,791
CASH, JANUARY 1	118,151	118,151	0	110,860	110,860	0
CASH, DECEMBER 31	$ 26,151	125,826	99,675	25,360	118,151	92,791

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COURTHOUSE AND JAIL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 61,964	63,379	1,415	65,000	59,580	-5,420
Interest	3,000	2,883	-117	5,000	2,350	-2,650
Transfers in	0	242	242	0	0	0
Total Receipts	64,964	66,504	1,540	70,000	61,930	-8,070
DISBURSEMENTS						
Office expenditures	2,000	1,481	519	0	1,529	-1,529
Repair and maintenance	40,000	13,744	26,256	30,000	21,019	8,981
Equipment	35,000	32,749	2,251	67,000	35,154	31,846
Other	0	13,800	-13,800	0	4,786	-4,786
Total Disbursements	77,000	61,774	15,226	97,000	62,488	34,512
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,036	4,730	16,766	-27,000	-558	26,442
CASH, JANUARY 1	35,795	35,795	0	36,353	36,353	0
CASH, DECEMBER 31	$ 23,759	40,525	16,766	9,353	35,795	26,442

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 16,000	9,260	-6,740	13,500	14,235	735
Interest	300	200	-100	650	265	-385
Other	200	0	-200	0	202	202
Total Receipts	16,500	9,460	-7,040	14,150	14,702	552
DISBURSEMENTS						
Prosecuting Attorney	14,200	5,708	8,492	10,500	14,981	-4,481
Total Disbursements	14,200	5,708	8,492	10,500	14,981	-4,481
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,300	3,752	1,452	3,650	-279	-3,929
CASH, JANUARY 1	1,969	1,969	0	2,248	2,248	0
CASH, DECEMBER 31	$ 4,269	5,721	1,452	5,898	1,969	-3,929

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 115	0	-115	300	109	-191
Interest	90	82	-8	140	88	-52
Total Receipts	205	82	-123	440	197	-243
DISBURSEMENTS						
Prosecuting Attorney	200	288	-88	1,500	150	1,350
Total Disbursements	200	288	-88	1,500	150	1,350
RECEIPTS OVER (UNDER) DISBURSEMENTS	5	-206	-211	-1,060	47	1,107
CASH, JANUARY 1	1,360	1,360	0	1,313	1,313	0
CASH, DECEMBER 31	$ 1,365	1,154	-211	253	1,360	1,107

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDS PRESERVATION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 12,000	12,578	578
Interest	600	461	-139
Total Receipts	12,600	13,039	439
DISBURSEMENTS			
Ex Officio Recorder of Deeds	12,050	17,538	-5,488
Total Disbursements	12,050	17,538	-5,488
RECEIPTS OVER (UNDER) DISBURSEMENTS	550	-4,499	-5,049
CASH, JANUARY 1	9,248	9,248	0
CASH, DECEMBER 31	$ 9,798	4,749	-5,049

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT EQUIPMENT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,000	0	-1,000
Other	8,800	7,751	-1,049
Total Receipts	9,800	7,751	-2,049
DISBURSEMENTS			
Sheriff	12,146	7,333	4,813
Total Disbursements	12,146	7,333	4,813
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,346	418	2,764
CASH, JANUARY 1	5,927	5,927	0
CASH, DECEMBER 31	$ 3,581	6,345	2,764

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S SPECIAL FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	17,000	46,502	29,502
Interest		150	1,830	1,680
Total Receipts		17,150	48,332	31,182
DISBURSEMENTS				
Sheriff		25,000	17,311	7,689
Total Disbursements		25,000	17,311	7,689
RECEIPTS OVER (UNDER) DISBURSEMENTS		-7,850	31,021	38,871
CASH, JANUARY 1		11,548	11,548	0
CASH, DECEMBER 31	$	3,698	42,569	38,871

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

	Year Ended December 31,					
	1998			1997		
			Variance Favorable			Variance Favorable
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS						
Charges for services	$ 1000	852	-148	1100	1022	-78
Interest	400	365	-35	400	442	42
Total Receipts	1,400	1,217	-183	1,500	1,464	-36
DISBURSEMENTS						
Payments to shelter	1000	4000	-3000	0	1000	-1000
Total Disbursements	1,000	4,000	-3,000	0	1,000	-1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	400	-2783	-3183	1500	464	-1036
CASH, JANUARY 1	7,076	7,076	0	6,612	6,612	0
CASH, DECEMBER 31	$ 7,476	4,293	-3,183	8,112	7,076	-1,036

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 8,000	3,826	-4,174	10,000	6,966	-3,034
Total Receipts	8,000	3,826	-4,174	10,000	6,966	-3,034
DISBURSEMENTS						
Other	0	114,102	-114,102	0	0	0
Transfers out	10,000	307	9,693	50,000	0	50,000
Total Disbursements	10,000	114,409	-104,409	50,000	0	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,000	-110,583	-108,583	-40,000	6,966	46,966
CASH, JANUARY 1	110,583	110,583	0	103,617	103,617	0
CASH, DECEMBER 31	$ 108,583	0	-108,583	63,617	110,583	46,966

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL LAW ENFORCEMENT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 14,500	27,236	12,736
Interest	900	605	-295
Total Receipts	15,400	27,841	12,441
DISBURSEMENTS			
Salaries	18,000	20,193	-2,193
Transfers out	0	5,000	-5,000
Total Disbursements	18,000	25,193	-7,193
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,600	2,648	5,248
CASH, JANUARY 1	7,806	7,806	0
CASH, DECEMBER 31	$ 5,206	10,454	5,248

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
E911 FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	$ 185,000	67,054	-117,946
Charges for services	7,500	0	-7,500
Interest	1,000	1,226	226
Tax anticipation note	20,000	25,000	5,000
Other	0	318	318
Transfers in	3,000	0	-3,000
Total Receipts	216,500	93,598	-122,902
DISBURSEMENTS			
E911 center	253,001	135,643	117,358
Total Disbursements	253,001	135,643	117,358
RECEIPTS OVER (UNDER) DISBURSEMENTS	-36,501	-42,045	-5,544
CASH, JANUARY 1	42,045	42,045	0
CASH, DECEMBER 31	$ 5,544	0	-5,544

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
E911 BOARD FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	$ 259,763	252,884	-6,879
Interest	0	1,233	1,233
Tax anticipation note	0	70,000	70,000
Other	0	51,275	51,275
Total Receipts	259,763	375,392	115,629
DISBURSEMENTS			
E911 center	249,646	224,923	24,723
Total Disbursements	249,646	224,923	24,723
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,117	150,469	140,352
CASH, JANUARY 1	4,705	4,048	-657
CASH, DECEMBER 31	$ 14,822	154,517	139,695

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Crawford County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the E911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Circuit Clerk Interest Fund	1998 and 1997
Associate Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Records Preservation Fund	1997
Law Enforcement Equipment Fund	1997
Sheriff's Special Fund	1997
Special Law Enforcement Fund	1997
E911 Board Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Children's Trust Fund	1998 and 1997
Law Enforcement Training Fund	1998
Records Preservation Fund	1998
County Use Tax Fund	1998
Special Law Enforcement Fund	1998
Prosecuting Attorney Bad Check Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Circuit Clerk Interest Fund, Associate Interest Fund, or Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997 and the E911 Board's deposits at December 31, 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Of the E911 Board's bank balance at December 31, 1998, $100,000 was covered by federal depositary insurance and $55,806 was uninsured and uncollateralized.
To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $250,391 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $126,971. As of December 31, 1998, $12,869 remains to be paid.

4. E911 Fund and E911 Board Fund

On July 1, 1997, the county formed the E911 Board. Prior to July 1, 1997, the county accounted for E911 operations in the E911 Fund. Effective July 1, 1997, the E911 Board Fund was created and operations are now accounted for in that fund. Included in the 1997 financial statements is $16,536 which was paid from the E911 Fund to the E911 Board Fund to close out the E911 Fund.

Supplementary Schedule

Schedule

CRAWFORD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
10.unknown	Direct program - Cooperative Law and Cannabis Agreement	N/A	$ 0	4,120
	Passed through state:			
	Department of Health -			
10.557	Special Supplemental Nutrition Program			
	for Women, Infants, and Children	ERO045-7127	0	42,019
		ERO045-8127	50,256	9,793
		ERO045-9127	17,976	0
	Program Total		68,232	51,812
	Office of Administration -			
10.665	School and Roads - Grants to			
	States	N/A	72,202	84,456
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.710	Public Safety Partnership and			
	Community Policing ("Cops") Grants	N/A	19,407	15,597
	Passed through:			
	State Department of Public Safety -			
16.540	Juvenile Justice and Delinquency Program	97-ILE6-36	17,753	6,233
		98-JFJ7-38	4,959	0
	Program Total		22,712	6,233
16.575	Crime Victim Assistance	98-SSVF-0014	11,819	6,340
		98-SSVF-0021	7,750	0
	Program Total		19,569	6,340
	Local Law Enforcement Block Grants Program	96-LBG-032	0	1,980
	Missouri Sheriff's Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	0	377
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			
	Transportation Commission -			
20.205	Off-System Bridge Replacement and			
	Rehabilitation Program	BRO-028	7,767	0
20.600	Division of Highway Safety - Highway Safety Grants	98-PT-02-68	4,000	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	1,146	1,454
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.127	Childhood Lead Poison Prevention	ERO146-9127CLPP	10	0
93.268	Immunization Grants	PG0064-7127IAP	0	3,635
		PG0064-8127IAP	3,705	0
	Program Total		3,705	3,635

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	Department of Social Services -			
93.563	Child Support Enforcement	N/A	63,248	60,350
	Department of Health -			
93.575	Child Care and Development Block Grant	ERO146-7127	0	2,500
		ERO146-8127	2,291	445
		ERO146-9127	230	0
	Program Total		2,521	2,945
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-70021	0	7,549
		ERO161-80021	7,045	4,097
		ERO161-90021	3,413	0
	Program Total		10,458	11,646
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-7127	0	13,715
		ERO146-8127	9,839	3,282
		ERO146-9127	6,095	0
		ERO146-7214FP	0	1,347
		ERO146-8214FP	1,654	4,737
		ERO146-9127FP	2,059	0
	Program Total		19,647	23,081
	Total Expenditures of Federal Awards		$ 314,624	274,026

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

CRAWFORD COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Crawford County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Crawford County, Missouri

Compliance

We have audited the compliance of Crawford County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Crawford County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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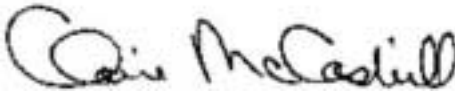
Internal Control Over Compliance

The management of Crawford County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Crawford County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

Schedule

CRAWFORD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	__x__ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads - Grants to States
93.994	Maternal and Child Health Services Block Grant to the States

Dollar threshold used to distinguish between Type A
and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CRAWFORD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Crawford County, Missouri, on applicable findings in our prior report issued for the three years ended December 31, 1996.

5. Enhanced 911

There was no documentation to substantiate the sales tax levy amount that was considered to be necessary to generate sufficient revenue to fund the E911 program and actual expenditures were allowed to exceed budgeted amounts and actual revenues.

Recommendation:

The County Commission ensure projected revenues are adequately budgeted to cover projected expenditures.

Status:

Implemented. An additional sales tax was approved by the voters in November 1997 which funds the E911 Board. Budgeted amounts were not exceeded in 1998 or 1997.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

CRAWFORD COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

CRAWFORD COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Crawford County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999. We also have audited the compliance of Crawford County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents a matter other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. This matter resulted from our audit of the special-purpose financial statements of Crawford County but does not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider this matter and take appropriate corrective action.

Budgetary Practices

Formal budgets were not prepared and filed with the State Auditor's Office for various county funds for the years ended December 31, 1998 or 1997. Warrants were issued in excess of approved budgeted expenditures for various county funds during the two years ended December 31, 1998.

This Letter on Other Matters is intended for the information of the management of Crawford County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

RANDOLPH COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-78
September 16, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Randolph, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Randolph County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the audit are available upon request</u>.

RANDOLPH COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Randolph County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Randolph County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Randolph County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Randolph County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Randolph County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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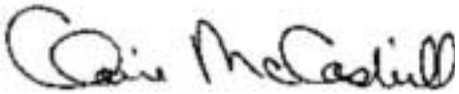
Randolph County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 27, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Randolph County, Missouri

We have audited the special-purpose financial statements of various funds of Randolph County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Randolph County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Randolph County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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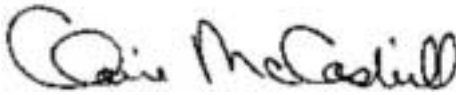
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Randolph County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ -10,440	2,610,092	2,687,996	-88,344
Special Road and Bridge	1,167,876	1,498,658	1,492,712	1,173,822
Assessment	183,650	233,359	232,424	184,585
Law Enforcement Training	13,404	7,442	8,084	12,762
Prosecuting Attorney Training	666	3,503	1,799	2,370
Recorder's User Fee	19,802	12,629	15,134	17,297
Domestic Abuse	1,237	1,252	1,799	690
Health Center	7,930	2,147,603	2,137,239	18,294
Sheriff	8,281	65,699	57,782	16,198
Local Emergency Planning Commission	8,467	4,817	1,384	11,900
Circuit Clerk Interest	11,729	7,584	6,726	12,587
Associate Circuit Division Interest	1,987	815	251	2,551
Cemetery Trust	29,380	1,712	1,510	29,582
Law Library	5,035	5,572	6,665	3,942
Juvenile Officer Tutoring	819	500	708	611
Prosecuting Attorney Bad Check	22,174	53,321	63,450	12,045
Prosecuting Attorney Delinquent Tax	2,244	1,530	1,981	1,793
Parenting Class	0	245	0	245
Total	$ 1,474,241	6,656,333	6,717,644	1,412,930

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	28,223	2,491,400	2,530,063	-10,440
Special Road and Bridge		1,233,498	1,673,901	1,739,523	1,167,876
Assessment		191,504	218,834	226,688	183,650
Law Enforcement Training		12,421	5,302	4,319	13,404
Prosecuting Attorney Training		494	2,909	2,737	666
Recorder's User Fee		18,335	9,969	8,502	19,802
Domestic Abuse		1,310	960	1,033	1,237
Health Center		9,882	2,583,158	2,585,110	7,930
Sheriff		0	20,781	12,500	8,281
Local Emergency Planning Commission		0	9,391	924	8,467
Circuit Clerk Interest		11,827	5,880	5,978	11,729
Associate Circuit Division Interest		1,447	912	372	1,987
Cemetery Trust		28,974	1,331	925	29,380
Law Library		1,141	4,368	474	5,035
Juvenile Officer Tutoring		1,415	1,000	1,596	819
Prosecuting Attorney Bad Check		17,843	60,710	56,379	22,174
Prosecuting Attorney Delinquent Tax		1,139	1,324	219	2,244
Total	$	1,559,453	7,092,130	7,177,342	1,474,241

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 437,617	387,582	-50,035	411,695	367,849	-43,846
Sales taxes	945,000	964,460	19,460	940,000	944,390	4,390
Intergovernmental	526,711	597,953	71,242	345,245	545,485	200,240
Charges for services	455,851	537,672	81,821	425,050	489,254	64,204
Interest	20,000	17,226	-2,774	20,000	15,691	-4,309
Other	22,310	49,650	27,340	14,310	30,831	16,521
Transfers in	132,400	55,549	-76,851	148,412	97,900	-50,512
Total Receipts	2,539,889	2,610,092	70,203	2,304,712	2,491,400	186,688
DISBURSEMENTS						
County Commission	69,061	67,971	1,090	67,844	67,538	306
County Clerk	83,505	78,189	5,316	82,000	79,570	2,430
Elections	36,000	33,215	2,785	24,150	14,007	10,143
Buildings and grounds	64,200	60,977	3,223	70,850	78,539	-7,689
Employee fringe benefits	305,200	300,967	4,233	287,950	282,381	5,569
County Treasurer	31,000	27,569	3,431	23,775	23,458	317
County Collector	85,543	85,043	500	81,928	81,955	-27
Ex Officio Recorder of Deeds	61,537	61,691	-154	61,412	60,720	692
Circuit Clerk	33,820	28,027	5,793	28,750	24,813	3,937
Associate Circuit Court	71,320	6,655	64,665	27,870	5,253	22,617
Associate Circuit (Probate)	19,982	19,158	824	22,782	13,835	8,947
Court administration	16,905	8,890	8,015	16,615	6,390	10,225
Public Administrator	39,450	40,754	-1,304	500	26,141	-25,641
Sheriff	507,972	488,783	19,189	473,608	468,566	5,042
Jail	399,498	618,327	-218,829	334,375	381,448	-47,073
Prosecuting Attorney	224,829	211,385	13,444	165,049	176,595	-11,546
Juvenile Officer	379,938	344,423	35,515	415,946	349,025	66,921
County Coroner	11,874	9,540	2,334	12,200	11,787	413
Public Defender	4,836	4,836	0	4,838	4,836	2
Jury Commission	3,400	0	3,400	3,400	1,384	2,016
Other	191,057	191,596	-539	386,741	256,822	129,919
Repayment of loan from Special Road and Bridge Fund	0	0	0	0	115,000	-115,000
Emergency Fund	75,000	0	75,000	69,150	0	69,150
Total Disbursements	2,715,927	2,687,996	27,931	2,661,733	2,530,063	131,670
RECEIPTS OVER (UNDER) DISBURSEMENTS	-176,038	-77,904	98,134	-357,021	-38,663	318,358
CASH, JANUARY 1	-10,440	-10,440	0	28,223	28,223	0
CASH, DECEMBER 31	$ -186,478	-88,344	98,134	-328,798	-10,440	318,358

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 406,293	387,056	-19,237	436,278	414,523	-21,755
Intergovernmental	1,096,800	1,008,943	-87,857	947,100	1,059,578	112,478
Charges for services	300	923	623	0	250	250
Interest	75,000	71,538	-3,462	78,000	74,493	-3,507
Other	12,000	30,198	18,198	5,000	10,057	5,057
Loan repayment from General Revenue Fund	0	0	0	115,000	115,000	0
Total Receipts	1,590,393	1,498,658	-91,735	1,581,378	1,673,901	92,523
DISBURSEMENTS						
Salaries	393,610	390,304	3,306	391,000	364,744	26,256
Employee fringe benefits	121,200	115,989	5,211	117,300	116,167	1,133
Supplies	35,000	25,899	9,101	174,600	30,903	143,697
Insurance	40,000	33,069	6,931	20,752	26,641	-5,889
Road and bridge materials	226,000	260,866	-34,866	61,000	199,434	-138,434
Equipment repairs	77,000	74,825	2,175	80,000	67,950	12,050
Rentals	80,000	66,748	13,252	80,000	103,641	-23,641
Equipment purchases	250,000	114,807	135,193	504,000	241,065	262,935
Construction, repair, and maintenance	325,000	239,522	85,478	783,000	407,578	375,422
Other	141,500	125,683	15,817	59,500	130,400	-70,900
Transfers out	48,000	45,000	3,000	126,500	51,000	75,500
Total Disbursements	1,737,310	1,492,712	244,598	2,397,652	1,739,523	658,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	-146,917	5,946	152,863	-816,274	-65,622	750,652
CASH, JANUARY 1	1,167,876	1,167,876	0	1,233,498	1,233,498	0
CASH, DECEMBER 31	$ 1,020,959	1,173,822	152,863	417,224	1,167,876	750,652

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 234,744	217,696	-17,048	204,100	203,156	-944
Charges for services	2,000	2,073	73	0	1,960	1,960
Interest	12,000	13,515	1,515	12,000	12,877	877
Other	0	75	75	2,200	841	-1,359
Total Receipts	248,744	233,359	-15,385	218,300	218,834	534
DISBURSEMENTS						
Assessor	239,900	232,424	7,476	203,838	205,788	-1,950
Transfers out	0	0	0	20,900	20,900	0
Total Disbursements	239,900	232,424	7,476	224,738	226,688	-1,950
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,844	935	-7,909	-6,438	-7,854	-1,416
CASH, JANUARY 1	183,650	183,650	0	191,504	191,504	0
CASH, DECEMBER 31	$ 192,494	184,585	-7,909	185,066	183,650	-1,416

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,300	7,442	2,142	4,500	5,302	802
Total Receipts	5,300	7,442	2,142	4,500	5,302	802
DISBURSEMENTS						
Sheriff	6,050	8,084	-2,034	5,500	4,319	1,181
Total Disbursements	6,050	8,084	-2,034	5,500	4,319	1,181
RECEIPTS OVER (UNDER) DISBURSEMENTS	-750	-642	108	-1,000	983	1,983
CASH, JANUARY 1	13,404	13,404	0	12,421	12,421	0
CASH, DECEMBER 31	$ 12,654	12,762	108	11,421	13,404	1,983

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,750	3,503	753	2,500	2,909	409
Total Receipts	2,750	3,503	753	2,500	2,909	409
DISBURSEMENTS						
Prosecuting Attorney	2,725	1,799	926	2,500	2,737	-237
Total Disbursements	2,725	1,799	926	2,500	2,737	-237
RECEIPTS OVER (UNDER) DISBURSEMENTS	25	1,704	1,679	0	172	172
CASH, JANUARY 1	666	666	0	494	494	0
CASH, DECEMBER 31	$ 691	2,370	1,679	494	666	172

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 9,000	11,390	2,390	9,000	9,285	285
Interest	650	1,239	589	800	684	-116
Total Receipts	9,650	12,629	2,979	9,800	9,969	169
DISBURSEMENTS						
Recorder of Deeds	12,935	15,134	-2,199	21,000	8,502	12,498
Total Disbursements	12,935	15,134	-2,199	21,000	8,502	12,498
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,285	-2,505	780	-11,200	1,467	12,667
CASH, JANUARY 1	19,802	19,802	0	18,335	18,335	0
CASH, DECEMBER 31	$ 16,517	17,297	780	7,135	19,802	12,667

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC ABUSE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,000	1,252	252	1,000	960	-40
Total Receipts	1,000	1,252	252	1,000	960	-40
DISBURSEMENTS						
Shelter	1,000	1,749	-749	1,000	1,000	0
Other	35	50	-15	50	33	17
Total Disbursements	1,035	1,799	-764	1,050	1,033	17
RECEIPTS OVER (UNDER) DISBURSEMENTS	-35	-547	-512	-50	-73	-23
CASH, JANUARY 1	1,237	1,237	0	1,310	1,310	0
CASH, DECEMBER 31	$ 1,202	690	-512	1,260	1,237	-23

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

RANDOLPH COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 400,000	406,662	6,662	397,595	411,067	13,472
Intergovernmental	445,000	565,345	120,345	257,375	402,486	145,111
Charges for services	1,571,500	1,075,525	-495,975	1,979,191	1,665,074	-314,117
Interest	0	4,557	4,557	0	4,793	4,793
Other	30,000	95,514	65,514	25,690	99,738	74,048
Total Receipts	2,446,500	2,147,603	-298,897	2,659,851	2,583,158	-76,693
DISBURSEMENTS						
Salaries	1,674,000	1,483,765	190,235	1,821,444	1,704,390	117,054
Office expenditures	215,000	99,028	115,972	245,025	237,042	7,983
Equipment	42,000	37,170	4,830	67,343	65,137	2,206
Mileage and training	65,500	46,951	18,549	96,452	66,986	29,466
Fringe benefits	300,000	278,632	21,368	310,022	267,957	42,065
Contract labor	116,000	191,266	-75,266	88,001	190,027	-102,026
Other	14,500	427	14,073	28,402	53,571	-25,169
Total Disbursements	2,427,000	2,137,239	289,761	2,656,689	2,585,110	71,579
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,500	10,364	-9,136	3,162	-1,952	-5,114
CASH, JANUARY 1	0	7,930	7,930	0	9,882	9,882
CASH, DECEMBER 31	$ 19,500	18,294	-1,206	3,162	7,930	4,768

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 0	11,214	11,214
Charges for services	40,000	53,862	13,862
Interest	150	623	473
Total Receipts	40,150	65,699	25,549
DISBURSEMENTS			
Sheriff	40,150	57,782	-17,632
Total Disbursements	40,150	57,782	-17,632
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	7,917	7,917
CASH, JANUARY 1	8,281	8,281	0
CASH, DECEMBER 31	$ 8,281	16,198	7,917

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 2,500	4,363	1,863
Interest	100	454	354
Total Receipts	2,600	4,817	2,217
DISBURSEMENTS			
Mileage and training	1,500	1,240	260
Equipment	1,000	94	906
Other	0	50	-50
Total Disbursements	2,500	1,384	1,116
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	3,433	3,333
CASH, JANUARY 1	8,467	8,467	0
CASH, DECEMBER 31	$ 8,567	11,900	3,333

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Interest	$	4,440	7,584	3,144
Total Receipts		4,440	7,584	3,144
DISBURSEMENTS				
Circuit Clerk		13,900	6,726	7,174
Total Disbursements		13,900	6,726	7,174
RECEIPTS OVER (UNDER) DISBURSEMENTS		-9,460	858	10,318
CASH, JANUARY 1		11,729	11,729	0
CASH, DECEMBER 31	$	2,269	12,587	10,318

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Interest	$	400	815	415
Total Receipts		400	815	415
DISBURSEMENTS				
Associate Circuit Division		1,500	251	1,249
Total Disbursements		1,500	251	1,249
RECEIPTS OVER (UNDER) DISBURSEMENTS		-1,100	564	1,664
CASH, JANUARY 1		1,987	1,987	0
CASH, DECEMBER 31	$	887	2,551	1,664

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CEMETERY TRUST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 1,331	1,712	381
Total Receipts	1,331	1,712	381
DISBURSEMENTS			
Cemetery expenditures	925	1,510	-585
Total Disbursements	925	1,510	-585
RECEIPTS OVER (UNDER) DISBURSEMENTS	406	202	-204
CASH, JANUARY 1	29,380	29,380	0
CASH, DECEMBER 31	$ 29,786	29,582	-204

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	3,500	5,572	2,072
Total Receipts		3,500	5,572	2,072
DISBURSEMENTS				
Law Library		8,535	6,665	1,870
Total Disbursements		8,535	6,665	1,870
RECEIPTS OVER (UNDER) DISBURSEMENTS		-5,035	-1,093	3,942
CASH, JANUARY 1		5,035	5,035	0
CASH, DECEMBER 31	$	0	3,942	3,942

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JUVENILE OFFICER TUTORING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Donations	$ 1,000	500	-500
Total Receipts	1,000	500	-500
DISBURSEMENTS			
Juvenile Officer	1,819	708	1,111
Total Disbursements	1,819	708	1,111
RECEIPTS OVER (UNDER) DISBURSEMENTS	-819	-208	611
CASH, JANUARY 1	819	819	0
CASH, DECEMBER 31	$ 0	611	611

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 6,200	27,429	21,229
Charges for services	1,100	32,361	31,261
Interest	0	920	920
Total Receipts	7,300	60,710	53,410
DISBURSEMENTS			
Prosecuting Attorney	7,302	30,379	-23,077
Transfers out	0	26,000	-26,000
Total Disbursements	7,302	56,379	-49,077
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2	4,331	4,333
CASH, JANUARY 1	516	17,843	17,327
CASH, DECEMBER 31	$ 514	22,174	21,660

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Randolph County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Bad Check Fund	1998
Parenting Class Fund	1998
Sheriff Fund	1997
Local Emergency Planning Commission Fund	1997
Circuit Clerk Interest Fund	1997
Associate Circuit Division Interest Fund	1997
Cemetery Trust Fund	1997
Law Library Fund	1997
Juvenile Officer Tutoring Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1998
Recorder's User Fee Fund	1998
Domestic Abuse Fund	1998
Sheriff Fund	1998
Cemetery Trust Fund	1998
Assessment Fund	1997
Prosecuting Attorney Training Fund	1997
Prosecuting Attorney Bad Check Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the years ended December 31, 1998 and 1997.

However, the budgets of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Cemetery Trust Fund	1998 and 1997
Law Library Fund	1998 and 1997
Juvenile Officer Tutoring Fund	1998 and 1997
Prosecuting Attorney Delinquent Tax Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998
Parenting Class Fund	1998
Health Center Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than

depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

At December 31, 1998 and 1997, the reported amount of the county's deposits were $5,519,008 and $4,453,908, respectively, and the bank balances were $5,643,888 and $4,565,236, respectively. Of the county's bank balances at December 31, 1998 and 1997, $1,311,108 and $1,373,017, respectively, were covered by federal depositary insurance and $4,332,780 and $3,192,219, respectively, were covered by collateral pledged by one bank and held in the county's name by the safekeeping department an affiliate of the same bank holding company.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name.

Investments

The only investment of the various funds at December 31, 1998 and 1997, was a repurchase agreement with reported amounts of $1,400,000 and $1,500,000, respectively, which approximated fair value.

These investments represent uninsured and unregistered investments for which the securities were held by the safekeeping department of an affiliate of the same bank holding company in the county's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44

(Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $175,743 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $94,783. As of December 31, 1998, $35,545 remains to be paid.

Supplementary Schedule

Schedule

RANDOLPH COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state Department of Health -			
10.557	Special Supplemental Nutrition Program			
	for Women, Infants, and Children	ER0045-9188	$ 27,088	0
		ER0045-8188	75,175	23,900
		ER0045-7188	0	64,952
	Program Total		102,263	88,852
10.558	Breastfeeding Grant	ER0045-7188	0	2,465
	Child and Adult Care Food Program	ER0046-80115	13,304	5,628
		ER0046-7669	0	15,996
	Program Total		13,304	24,089
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state:			
	Department of Public Safety -			
16.554	National Criminal History Improvement Program	N/A	12,817	0
16.588	Violence Against Women	97-VAWA-0056	51,630	0
		96-VAPA-0039	0	25,441
	Program Total		51,630	25,441
16.592	Local Law Enforcement Block Grants Program	97-LBG-087	9,000	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	779	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Department of Public Safety -			
20.600	State and Community Highway Safety Program	99-SA-09-4	19,164	0
		98-SA-09-4	58,900	24,663
		97-SA-09-4	0	45,539
	Program Total		78,064	70,202
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	5,834	1,532
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.268	Immunization Grants	PG0064-8A88IAP	5,260	0
		ERO146-8188GPH	0	2,225
		ERO146-7188GPH	0	2,015
	Program Total		5,260	4,240
93.393	Cancer Cause and Prevention Research	AOC7000129	0	31,384

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	Department of Social Services -				
93.563	Child Support Enforcement	N/A		3,042	2,590
	Department of Health -				
	Child Care and Development Block Grant -				
93.575	Nursing Consultation to Child Care Facilities	ERO146-9188CCNC		3,403	0
		ERO146-8188CCNC		6,080	1,413
		ERO146-7188CCNC		0	2,478
	Program Total			9,483	3,891
	Local Sanitation Inspections for Childcare Facilities	PG0067-9188		285	0
		PG0067-8188		2,390	0
	Program Total			2,675	0
93.919	Cooperative Agreements for State-Based				
	Comprehensive Breast and Cervical Cancer				
	Early Detection Programs	N/A		0	1,996
93.991	Preventive Health and Health Services Block Grant -				
	Multi County Health Educator Program	AOC9000099		5,765	0
		AOC8000074		25,364	2,136
		AOC7000070		0	14,100
	Program Total			31,129	16,236
93.994	Maternal and Child Health Services				
	Block Grant to the States	ER0146-9188		864	0
		ER0146-8188		20,972	2,456
		ER0146-7188		0	20,124
	Program Total			21,836	22,580
	Comprehensive Family Planning Services	ER0175-9188FP		4,692	0
		ER0175-8188FP		11,454	4,037
		ER0175-7188FP		0	11,579
	Program Total			16,146	15,616
	Postponing Sexual Involvement	ER0146-8009-8188		5,611	0
	Home Visitation Implementation	AOC8000164		51,028	8,972
		AOC8000058		0	34,995
	Program Total			51,028	43,967
93.Unknown	Safe Kids Coalition Grant	C800070001		1,981	0
		C702391001		0	2,000
	Program Total			1,981	2,000
	Total Expenditures of Federal Awards		$	421,882	354,616

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

RANDOLPH COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Randolph County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the National Criminal History Improvement Program (CFDA number 16.554) and the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $78,064 and $70,202 to a subrecipient under the State and Community Highway Safety Program (CFDA number 20.600) during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Randolph County, Missouri

Compliance

We have audited the compliance of Randolph County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Randolph County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

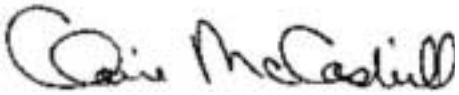
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Randolph County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Randolph County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Schedule

RANDOLPH COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes ___X___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___X___ none reported

Noncompliance material to the financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes ___X___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___X___ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes ___X___ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

20.600	State and Community Highway Safety Program
93.994	Maternal and Child Health Services Block Grant to the States

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RANDOLPH COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RANDOLPH COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

RANDOLPH COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Randolph County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. We also have audited the compliance of Randolph County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Randolph County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Financial Condition

   The General Revenue Fund has experienced a declining cash balance over the past several years. The cash balance has decreased from $28,223 at January 1, 1997 to $(88,344) at December 31, 1998. In addition, the 1999 budget anticipated disbursements to exceed receipts by $236,323.

2. Budgetary and Financial Reporting Practices

   Disbursements were made in excess of approved budgets during the audit period for various county funds. The annual published financial statements did not include some county funds as required by law.

3. County Disbursements and Contracts

   The supporting documentation for some disbursements authorized by the Sheriff and Prosecuting Attorney was not forwarded to the county with the related requests for payment. Several instances were noted where evidence of the receipt of goods or services was not documented on the supporting invoice for other county purchases. The county does not have a signed written agreement with the Prosecuting Attorney for rent of an office outside the courthouse that is also used for private practice. While it appears a written contract was drafted, it has never been signed.

In addition, the county does not prepare an IRS Form 1099-MISC information return for the Prosecuting Attorney for payments of office space rentals.

4. Monitoring of Subrecipients

The county forwards county funds equal to one-twelfth of the State and Community Highway Safety Program federal grant award to Northern Missouri Safe Communities (NMSC) each month. The County Commission does not adequately monitor the amount of the monthly unexpended cash balance on hand at NMSC. Based on unspent county money returned to the county in October 1998, totaling $18,029, it appears that excessive cash balances had been advanced to NMSC.

5. Schedule of Federal Awards

The Schedule of Federal Awards prepared by the County Clerk contained various errors and omissions.

6. Computer Controls

Passwords used by employees of the Assessor, County Clerk, and Collector are not changed on a periodic basis. In addition, the county does not have a formal contingency plan in the event of a disaster.

7. General Fixed Assets

Various fixed asset purchases were not recorded in the fixed asset listing. Annual inventories of county property are not performed and reconciled to the fixed asset listing. Vehicle logs are not maintained for Road and Bridge vehicles. County vehicle usage is not reconciled to fuel purchased.

8. Health Center Policies and Procedures

Annual leave accrued by one employee was not done in accordance with Health Center policy. The Health Center does not have a formal contingency plan in the event of a disaster and computer backup disks are not stored off-site. The Health Center fixed asset listing does not always include the purchase price, purchase date, and disposition of items, and fixed asset purchases are not reconciled to the fixed asset listing. The Schedule of Federal Awards prepared by the Health Center and submitted to the county contained various errors and omissions.

This Letter on Other Matters is intended for the information of the management of Randolph County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

MISSOURI 3RD CLASS COUNTIES

From The Office Of State Auditor
Claire McCaskill

Report No. 99-77
September 16, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

YELLOW SHEET

IMPORTANT: This report contains information about the ninety-three (93) Missouri counties which do not have a county auditor. Using the most recent audit reports, county budgets, and additional outside information, this report has been compiled to show various comparative financial information.

- Counties typically receive and spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. For 1998, the median (the middle amount in a series of amounts) county receipts for the General Revenue fund were approximately $1,154,000 while the median disbursements were approximately $1,191,000. The median receipts and disbursements for the Special Road and Bridge Fund were both approximately $1,093,000.

- The report shows sales tax as the main source of receipts for most counties, especially the General Revenue Fund, while intergovernmental revenues, such as federal and state aid, are the main source of receipts for the Special Road and Bridge Fund.

- Information regarding typical audit findings is included in the annual report. Many of the more frequent findings noted have remained similar over the past several years though improvement has been noted for some areas, including counties' banking practices and compliance with sales tax rollback requirements. However, other concerns with counties' budgetary and financial reporting procedures and fee officials' accounting controls and record keeping procedures continue to be reported in county audit reports.

- The annual report also contains other comparative financial information, including data on the Assessment Fund, information on the other major sales tax funds, assessed valuations and tax levies of the counties.

Copies of the audit are available upon request.

MISSOURI 3RD CLASS COUNTIES

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Members of the General Assembly
and
County Commissions

The Missouri State Auditor's office, as required by Section 29.230, RSMo 1994, performs audits on all counties throughout the state which have not elected a county auditor. An audit report containing financial statements, footnotes, an opinion as to the fairness of the presentation of the financial information, and information regarding recommended improvements in internal controls, statutory compliance, and management practices is issued for each county audit.

This report is titled "Missouri 3rd Class Counties" because the ninety-three counties for which information is presented are counties of the third class.

Using the most recent audit reports, county budgets, and additional outside information, this report has been compiled to show financial information for the ninety-three counties, some by comparative percentages. Because this report is based upon a combination of audited and unaudited information, no opinion can be expressed as to the accuracy of the unaudited figures. Actual information shown on county budgets is sometimes inaccurate or incomplete, so some adjustments have been made to information shown on the budgets for better comparability with audited years information (See Note 2). However, it is difficult for counties to completely assess their status in relation to other counties without knowing more about the operations of the various counties.

The following charts categorize the counties based on receipts and disbursements for the three years ended December 31, 1998.

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General Revenue Fund

	Receipts December 31,			Disbursements December 31,		
	1998	1997	1996	1998	1997	1996
$ <500,000	4	6	7	6	6	8
500,000-999,999	28	33	38	28	36	34
1,000,000-1,499,999	21	21	19	20	19	20
1,500,000-2,000,000	18	13	12	19	12	15
>2,000,000	22	20	17	20	20	16

Special Road and Bridge Fund

	Receipts December 31,			Disbursements December 31,		
	1998	1997	1996	1998	1997	1996
$ <500,000	2	3	4	4	3	2
500,000-999,999	32	42	42	30	42	45
1,000,000-1,499,999	40	29	29	40	30	30
1,500,000-2,000,000	11	11	12	15	10	12
>2,000,000	8	8	6	4	8	4

For 1998 the median (the middle amount in a series of amounts) county receipts and disbursements were approximately $1,154,000 and $1,191,000, respectively, for the General Revenue Fund, and $1,093,000 and $1,093,000, respectively, for the Special Road and Bridge fund.

A more detailed review of the counties' receipts and disbursements data for the three years presented indicated the following regarding the number of counties where receipts exceeded disbursements.

	Receipts Exceeded Disbursements			
	0 Years	1 Year	2 Years	3 Years
General Revenue Fund	8	40	28	17
Special Road and Bridge Fund	4	34	33	22

During 1998 receipts exceeded disbursements in 52 and 57 counties for the General Revenue Fund and Special Road and Bridge Fund, respectively. A further review of individual county amounts indicates fewer counties are consistently maintaining receipts at a greater level than disbursements. It appears changes between years are due largely to normal growth or decline of receipts and disbursements, although the fluctuation for some counties was due to significant, but temporary, increases in receipts and/or disbursements resulting from such events as capital improvement projects.

Actions to increase receipts or to control disbursements are ongoing and important. The average cash balance to disbursement ratios shown on Schedules 2-A and 2-B indicate that both the General Revenue Fund ratio and the Special Road and Bridge ratio have experienced little change. The following charts categorize the counties based on the cash balance to disbursements ratios during the last three years.

General Revenue Fund

Cash Balance:	December 31,		
Disbursements	1998	1997	1996
>.90:1	4	3	1
.76:1-.90:1	5	5	7
.61:1-.75:1	3	5	5
.46:1-.60:1	8	7	6
.31:1-.45:1	9	10	8
.16:1-.30:1	24	26	26
0-.15:1	37	37	40
<0	3	0	0

Special Road and Bridge Fund

Cash Balance:	December 31,		
Disbursements	1998	1997	1996
>.90:1	11	8	4
.76:1-.90:1	3	3	3
.61:1-.75:1	1	4	8
.46:1-.60:1	7	7	7
.31:1-.45:1	17	16	13
.16:1-.30:1	20	20	23
0-.15:1	33	35	33
<0	1	0	2

Schedules 2-A and 2-B indicate the 1998 average cash balance to disbursement ratio was .28 and .37 for the General Revenue Fund and Special Road and Bridge Fund, respectively. These average ratios indicate cash available at year-end would fund county operations for approximately three to four months. The charts above show that the majority of counties have a cash balance to disbursements ratio of .30 or less. A declining ratio may be indicative of a poor or worsening financial condition, while a growing ratio might represent a county's effort to accumulate and reserve monies for a significant future purpose or an improved financial condition. While the cash balance to disbursements ratio can assist in analyzing financial condition, such factors as types of receipts,

cash flow, receivables, debt, and discretionary versus mandated disbursements also have a significant effect on the financial well-being of a county. Additionally, the availability of other major funds as shown on Schedule 6 and discussed in Note 1, or an unusually large spending level in one year can distort the financial condition analysis.

The percentage composition of receipts shows that sales taxes represent the main source of receipts for most counties, especially for the General Revenue Fund (See Schedule 3-A). Only four counties (Bates, Polk, Reynolds, and Ripley) do not have sales tax monies going into their General Revenue Fund. From 1980, when county sales taxes were initiated, sales tax collections have increased from 4 percent to 38 percent of total receipts of the General Revenue Fund. By contrast, property taxes have decreased from 41 percent to 15 percent of total receipts. Sales tax receipts are used by many counties to assist in meeting the day-to-day operating and law enforcement costs incurred. Without sales taxes, capital improvement projects would have to be canceled, deferred, or funded through other county funds and the services currently provided by the counties may have had to be reduced. The percentage composition of receipts shows that intergovernmental revenues represent the main source of receipts for most counties' Special Road and Bridge Fund (See Schedule 3-B). Among other monies included in this category are state distributions of CART monies, federal bridge project and disaster monies, and other government distributions. Schedules 3-A, 3-B, and 4 show that the "Other" receipts and disbursements categories are becoming more significant in some counties. When appropriate, counties need to classify receipts and disbursements in more specific and appropriate categories.

Schedule 4 shows the various disbursement functions for the General Revenue Fund over the three years. There was very little fluctuation in the "average" disbursement amounts as a percentage of the total. However, for counties having a law enforcement sales tax, disbursements for the operation of the sheriff's office and jail may be included in the Law Enforcement Sales Tax Fund rather than from the General Revenue Fund. The 1998 average percentages of total disbursements for the sheriff and jail were 17 and 7 percent, respectively. However, these average percentages are 21 and 10 percent when considering those counties with sheriff and jail expenditures from the General Revenue Fund only. In addition, expenditures from the prosecuting attorney, juvenile officer, and coroner may also be paid from the Law Enforcement Sales Tax Fund. Many counties also have Capital Improvement Sales Tax Funds and/or Road and Bridge Sales Tax Funds. The availability and use of these monies may impact the disbursements of the General Revenue Fund and Special Road and Bridge Fund, and how these funds are utilized. The majority of the counties do not have health and welfare disbursements from the General Revenue Fund. Those with significant disbursements in this category probably do not have a county health center board.

Assessment Fund expenditures are presented on Schedule 5 for the three years ended December 31, 1998. The funding for the Assessment Fund was established by Section 137.750, RSMo 1994. A separate fund is maintained for the receipts received and restricted for this purpose including required contributions from the county's General Revenue Fund. As indicated on Schedule 5, the disbursements fluctuate greatly between counties depending largely upon the size of the Assessor's office. In addition, periodic equipment purchases can result in temporary, but significant, increases in disbursements. While 1998 disbursements per parcel averaged $12, the disbursements per parcel for ninety percent of the counties ranged from $9 to $18. Disbursements from the Assessment Fund have steadily increased over the last three years.

Schedule 6 presents receipts, disbursements and cash balance information for other major funds established by the various counties. These funds represent additional sales taxes approved by voters and earmarked for a specific purpose, including capital improvements, law enforcement, and road and bridge work. Of the 93 third class counties, 47 have established one or more of these sales tax funds. A comparison of the 1998 and 1997 data indicates that the overall level of activity of receipts and disbursements have decreased while the cash balance in these types of funds has increased.

Schedule 7 presents the assessed valuation and tax levies for 1998 and 1997. New Madrid County which has had an assessed valuation exceeding $300,000,000 for five years became second class in January 1999. A further review of the assessed valuations indicates that within a few years several other counties will also be changing classification from third, to first or second class based on their assessed valuations.

Schedule 8 presents typical audit findings from the most recent State Auditor's office audits of the 93 counties. For the most part, the more frequent problems noted have remained similar over the past several years. In recent years, improvement has been noted for some areas, including counties' banking practices and compliance with sales tax rollback requirements. However, numerous concerns with counties' budgetary and financial reporting procedures and fee officials' accounting controls and record keeping procedures continue to be reported in our county audit reports. In addition, more concerns regarding counties' bidding procedures and handling of federal financial assistance program monies have been noted in recent years.

Maximizing receipts, minimizing disbursements, and improving the overall efficiency of government are crucial to the financial condition of all counties in the future. Counties must review all sources of receipts to ensure maximum return and timely receipt, and effectively control disbursements. Large disbursements should be bid to ensure the best product or service is purchased at the lowest cost. Discretionary disbursements should be carefully reviewed and alternatives evaluated. Counties must also strive to improve their overall financial reporting of activity to ensure the total financial condition can be evaluated.

While this report reflects financial information through 1998, various issues will significantly affect county operations during 1999 and subsequent years. Future efforts require county officials to work with the legislature to ensure proposed new legislation will not place undue hardships on the county's financial resources and that changes to promote efficiency are forthcoming.

This is the twentieth year the State Auditor's office has issued an aggregate report on Missouri 3rd class counties. We have made changes to reflect information of interest to the readers, but are continually looking for new ideas to better communicate the information to those interested. We again solicit suggestions which may be beneficial to those involved in county government and other readers of this report.

Claire McCaskill
State Auditor

June 18, 1999 (fieldwork completion date)

SCHEDULES

Schedule 1-A

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
GENERAL REVENUE FUND

	December 31,								
	1998			1997			1996		
County	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance
Adair	$ 1,797,512 *	1,640,433 *	172,685 *	2,216,684	2,217,685	15,606	1,929,274	2,170,736	16,607
Andrew	1,098,365 *	826,503 *	1,052,562 *	1,048,596	816,195	780,700	909,768	708,764	548,299
Atchison	939,181 *	942,626 *	413,070 *	874,801	801,456	416,515	843,694	786,386	343,170
Audrain	2,126,973 *	1,701,360 *	734,276 *	2,011,409	2,000,619	308,663	1,936,041	1,980,229	297,873
Barry	2,295,545 *	1,854,170 *	1,544,624 *	2,033,417 *	1,836,957 *	1,103,249 *	1,973,383	2,057,960	906,789
Barton	700,915 *	758,625 *	337,269 *	668,045	544,021	394,979	641,192	569,327	270,955
Bates	590,483 *	449,416 *	181,236 *	537,415	629,212	40,169	532,703	510,762	131,966
Benton	1,505,378 *	1,468,035 *	221,744 *	1,329,577	1,409,073	184,401	1,239,430	1,376,300	263,897
Bollinger	952,758 *	948,595 *	24,647 *	756,061	764,377	20,484	754,868	819,775	28,800
Butler	4,142,905 *	3,999,633 *	519,047 *	3,890,167 *	3,533,376 *	375,775 *	2,870,427	2,921,808	18,984
Caldwell	702,754 *	845,650 *	-109,624 *	681,904	714,162	33,272	603,665	587,155	65,530
Carroll	1,130,402 *	1,179,169 *	110,975 *	1,192,409 *	1,135,136 *	159,742 *	1,043,462	1,046,805	102,469
Carter	874,184 *	820,382 *	53,797 *	726,173	753,723	-5	526,801	632,261	27,545
Cedar	1,154,047 *	880,036 *	514,610 *	871,644	868,218	240,599	837,000	795,829	237,173
Chariton	1,213,107 *	1,230,155 *	386,568 *	1,007,577	1,061,523	403,616	955,854	877,154	457,562
Christian	2,311,085 *	1,911,973 *	943,444 *	2,491,527	2,003,534	544,332	1,705,449	1,714,122	56,339
Clark	727,876 *	726,655 *	3,994 *	784,840 *	784,061 *	2,773 *	707,584	709,610	1,994
Clinton	1,410,768 *	1,443,431 *	66,107 *	1,333,119	1,349,297	98,770	1,291,011	1,293,811	114,948
Cooper	1,611,554 *	1,656,938 *	1,171,489 *	1,628,185 *	1,584,388 *	1,216,873 *	1,471,847	1,536,089	1,173,076
Crawford	1,774,906 *	1,764,046 *	26,996 *	1,604,359 *	1,609,960 *	16,136 *	1,555,978	1,583,022	21,737
Dade	405,485 *	421,953 *	470,103 *	459,214 *	478,365 *	486,571 *	397,442	399,239	505,722
Dallas	903,218 *	882,127 *	248,483 *	894,503 *	1,245,832 *	227,392 *	863,056	902,445	578,721
Daviess	615,821 *	596,815 *	565,964 *	590,257 *	432,497 *	546,958 *	492,922	464,407	389,198
DeKalb	1,017,424 *	973,748 *	124,622 *	822,457	823,165	80,946	735,108	867,834	81,654
Dent	1,048,158 *	1,001,634 *	545,715 *	1,045,394	970,485	499,191	972,601	952,904	424,282
Douglas	1,036,973 *	1,029,943 *	426,501 *	908,330	897,649	419,471	923,130	876,604	408,790
Dunklin	2,736,978 *	2,032,018 *	1,835,545 *	1,957,270 *	2,035,615 *	1,130,585 *	1,388,609	1,971,607	1,208,930
Gasconade	1,346,923 *	1,376,988 *	300,994 *	1,196,579	1,356,466	331,059	1,224,683	1,450,745	490,946
Gentry	945,759 *	848,930 *	176,034 *	814,456	763,424	79,205	640,327	625,637	28,173
Grundy	909,822 *	899,485 *	745,614 *	967,583 *	827,882 *	735,277 *	842,492	701,716	595,576
Harrison	826,179 *	942,437 *	124,617 *	771,944 *	812,792 *	240,875 *	752,464	762,444	281,723
Henry	1,846,821 *	1,842,176 *	343,952 *	1,753,744 *	1,846,469 *	339,307 *	1,577,637	1,687,991	432,032
Hickory	985,572 *	882,029 *	160,039 *	968,772	997,474	56,496	1,025,704	1,064,712	85,198
Holt	876,763 *	875,301 *	82,437 *	857,981 *	799,778 *	80,975 *	759,798	740,271	22,772
Howard	996,281 *	1,041,552 *	572,787 *	1,403,471 *	924,561 *	618,058 *	951,950	1,009,686	139,148
Howell	2,498,775 *	2,511,366 *	258,907 *	2,229,216 *	2,258,595 *	271,498 *	2,124,009	2,264,570	300,877
Iron	1,180,854 *	1,131,243 *	304,566 *	1,100,870	1,113,857	254,955	1,052,203	947,180	267,942
Knox	500,489 *	501,102 *	1,455 *	481,678	522,763	2,068	486,849	449,402	43,153
Laclede	2,787,769 *	2,582,537 *	497,663 *	2,203,579 *	2,331,402 *	292,431 *	2,442,269	2,607,469	420,254
Lawrence	2,478,119 *	2,371,988 *	538,155 *	2,457,003 *	2,205,726 *	432,024 *	2,173,304	2,060,113	180,747
Lewis	1,035,783 *	1,015,901 *	181,429 *	1,082,979 *	948,085 *	161,547 *	931,816	988,648	26,653
Lincoln	3,622,260 *	3,340,197 *	303,961 *	3,010,989	3,213,947	21,898	2,824,929	2,837,859	224,856
Linn	1,144,673 *	1,043,477 *	316,898 *	892,495	869,916	215,702	930,880	933,071	193,123
Livingston	1,399,296 *	1,543,827 *	196,185 *	1,403,904	1,342,141	340,716	1,229,787	1,343,705	278,953
Macon	1,280,965 *	1,375,011 *	59,273 *	1,233,011	1,238,191	153,319	1,255,639	1,214,449	158,499
Madison	1,118,476 *	1,121,796 *	57,177 *	993,378 *	960,138 *	60,497 *	939,602	955,766	27,257
Maries	$ 865,305 *	856,415 *	72,548 *	795,412 *	796,941 *	63,658 *	744,008	803,865	65,187

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 1-A

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
GENERAL REVENUE FUND

	December 31,								
	1998			1997			1996		
County	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance
Marion	$ 3,035,273 *	2,995,515 *	309,006 *	2,916,007 *	2,882,751 *	269,248 *	2,639,465	2,826,519	235,992
McDonald	1,582,013 *	1,838,256 *	87,135 *	1,344,694	1,229,907	343,378	1,192,007	1,135,423	228,591
Mercer	570,614 *	557,357 *	125,133 *	537,197 *	516,691 *	111,876 *	505,599	498,814	91,370
Miller	1,938,015 *	1,672,430 *	314,081 *	1,776,018	1,732,680	48,496	1,705,550	1,776,560	5,158
Mississippi	1,646,427 *	1,525,247 *	444,270 *	1,378,998	1,312,844	323,090	1,359,458	1,145,326	256,936
Moniteau	891,821 *	952,358 *	44,997 *	841,028 *	880,953 *	105,534 *	946,109	828,085	145,459
Monroe	1,101,267 *	1,151,627 *	73,645 *	1,055,951	1,021,311	124,005	934,605	927,850	89,365
Montgomery	1,737,378 *	1,667,585 *	76,704 *	1,207,104	1,347,891	6,911	1,207,207	1,215,695	147,698
Morgan	1,559,028 *	1,463,656 *	669,863 *	1,439,413 *	1,464,332 *	574,491 *	1,386,053	1,431,719	599,410
New Madrid	2,518,283 *	2,515,604 *	1,830,577 *	2,402,348	2,194,370	1,827,898	2,297,256	2,024,753	1,619,920
Newton	5,278,306 *	4,938,119 *	2,412,088 *	5,194,123 *	5,773,273 *	2,071,901 *	4,961,884	4,492,809	2,651,051
Nodaway	2,130,055 *	2,159,617 *	1,544,305 *	2,153,486 *	1,879,182 *	1,573,867 *	2,127,260	1,572,444	1,299,563
Oregon	1,035,615 *	1,031,066 *	648,978 *	920,006	898,573	644,429	916,394	900,154	622,996
Osage	825,958 *	822,174 *	139,683 *	810,851	808,342	135,899	769,917	735,847	133,390
Ozark	1,026,620 *	1,028,080 *	113 *	862,843	956,163	1,573	949,235	917,268	94,893
Pemiscot	1,787,869 *	1,780,173 *	611,262 *	1,652,026 *	1,654,289 *	603,566 *	1,657,991	1,484,173	605,829
Perry	1,863,288 *	2,007,621 *	310,434 *	1,765,016 *	1,737,201 *	454,767 *	1,785,929	1,836,104	426,952
Phelps	3,891,428 *	3,634,461 *	263,485 *	3,556,859 *	3,563,304 *	6,518 *	2,840,496	2,841,875	12,963
Pike	2,317,279 *	2,543,387 *	202,865 *	2,441,181	2,487,152	428,973	2,128,476	2,199,321	474,944
Polk	845,606 *	653,666 *	619,007 *	760,690	578,537	427,067	764,394	1,048,021	244,914
Pulaski	2,312,578 *	2,339,375 *	473,745 *	1,669,865 *	2,534,479 *	500,542 *	2,514,223	1,844,459	1,365,156
Putnam	435,516 *	450,168 *	98,217 *	411,017 *	394,525 *	112,869 *	366,322	364,113	96,377
Ralls	1,092,703 *	1,191,415 *	4,231 *	1,159,390 *	1,171,616 *	102,943 *	976,284	1,051,153	115,169
Randolph	2,605,311 *	2,688,187 *	-89,128 *	2,491,413 *	2,525,888 *	-6,252 *	2,303,559	2,833,129	28,223
Ray	1,873,931 *	1,975,295 *	22,823 *	1,804,771 *	1,922,197 *	124,187 *	1,720,094	1,634,812	241,613
Reynolds	565,307 *	616,401 *	100,873 *	633,186	578,213	151,967	579,310	666,024	96,994
Ripley	538,382 *	441,915 *	359,737 *	491,791 *	466,650 *	263,270 *	430,039	405,536	238,129
St. Clair	1,689,879 *	1,747,605 *	345,124 *	1,474,768 *	1,445,016 *	402,850 *	1,444,324	1,370,562	373,098
Ste. Genevieve	3,073,259 *	3,056,766 *	784,416 *	2,939,321 *	2,727,394 *	767,923 *	2,697,333	2,835,091	555,996
Schuyler	376,187 *	361,580 *	279,414 *	444,353 *	382,408 *	264,807 *	427,567	341,956	202,862
Scotland	643,138 *	610,493 *	226,802 *	597,525 *	565,132 *	194,157 *	754,820	784,048	161,764
Scott	3,012,842 *	3,147,070 *	436,081 *	2,703,978	2,657,148	570,309	2,575,942	2,865,016	523,479
Shannon	666,145 *	724,761 *	64,328 *	648,474	562,072	122,944	511,308	566,615	36,542
Shelby	720,826 *	759,969 *	103,890 *	740,447	769,718	143,033	725,888	691,828	172,304
Stoddard	2,211,398 *	2,713,107 *	1,206,402 *	2,181,915 *	2,069,703 *	1,708,111 *	2,024,370	1,961,377	1,595,899
Stone	1,750,659 *	1,865,778 *	333,924 *	1,621,683 *	1,428,139 *	449,043 *	1,541,952	1,777,361	255,499
Sullivan	816,154 *	853,577 *	225,457 *	763,135 *	676,958 *	262,880 *	690,124	675,374	176,703
Taney	6,010,104 *	5,256,922 *	3,142,964 *	5,931,873	5,475,514	2,389,782	5,357,108	5,200,823	1,933,423
Texas	1,148,767 *	1,159,956 *	598,479 *	1,059,848 *	1,115,395 *	609,668 *	1,032,938	1,029,846	665,215
Vernon	1,659,202 *	1,685,459 *	373,800 *	1,590,310	1,513,196	400,057	1,459,531	1,479,063	322,943
Warren	1,913,674 *	1,858,970 *	431,000 *	1,804,810 *	1,757,972 *	376,296 *	1,723,112	1,518,568	329,458
Washington	1,587,921 *	1,572,323 *	42,299 *	1,550,954	1,558,126	26,701	1,434,647	1,486,442	33,873
Wayne	1,031,148 *	1,127,937 *	1,576 *	933,574	961,632	98,365	906,426	846,029	126,423
Webster	1,478,757 *	1,472,206 *	208,465 *	1,443,801 *	1,441,663 *	201,914 *	1,359,704	1,956,866	199,776
Worth	278,056 *	322,993 *	-43,338 *	437,144	442,135	1,599	381,671	375,495	6,590
Wright	1,019,813 *	978,325 *	363,834 *	998,619	972,701	322,346	968,685	1,008,515	296,428
Average	$ 1,543,714	1,505,445	416,174	1,446,540	1,424,371	377,905	1,344,035	1,354,528	355,736

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 1-B

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
SPECIAL ROAD AND BRIDGE FUND

	December 31,								
	1998			1997			1996		
County	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance
Adair	$ 1,416,255 *	1,581,283 *	56,909 *	1,592,436	1,605,957	221,937	1,342,236	1,413,918	235,458
Andrew	1,850,430 *	1,943,125 *	376,696 *	1,676,710	1,459,652	469,391	1,565,042	1,633,102	252,333
Atchison	1,121,423 *	917,340 *	290,661 *	701,368	697,179	86,578	878,097	814,587	82,389
Audrain	1,336,039 *	1,441,768 *	368,708 *	1,199,194	1,208,289	474,437	1,065,211	921,754	483,532
Barry	445,781 *	364,435 *	398,840 *	462,666 *	456,970 *	317,494 *	1,552,262	1,433,216	311,798
Barton	674,420 *	499,933 *	469,936 *	677,374	528,145	295,449	587,368	720,624	146,220
Bates	1,059,222 *	924,747 *	303,712 *	1,309,781	1,434,404	169,237	1,181,799	1,061,518	293,860
Benton	1,195,066 *	1,146,392 *	1,272,507 *	1,267,160	1,016,675	1,223,833	1,438,125	1,404,012	973,348
Bollinger	808,615 *	877,375 *	944 *	761,754	755,112	69,704	889,401	909,315	63,062
Butler	1,830,793 *	1,681,533 *	470,372 *	1,871,938 *	1,640,732 *	321,112 *	1,748,445	1,767,289	89,906
Caldwell	1,281,838 *	1,204,562 *	256,105 *	709,640	762,493	178,829	840,244	921,162	231,682
Carroll	1,475,010 *	1,092,471 *	630,977 *	1,866,208 *	1,988,643 *	248,438 *	1,062,265	920,699	370,873
Carter	544,494 *	525,474 *	88,487 *	476,270	601,915	69,466	365,509	345,829	195,111
Cedar	585,661 *	456,204 *	211,953 *	609,773	568,202	82,496	580,567	701,285	40,925
Chariton	1,284,264 *	1,310,297 *	701,117 *	924,055	897,484	727,150	974,165	1,008,488	700,579
Christian	2,957,871 *	2,612,774 *	981,983 *	2,392,898	2,580,285	636,886	2,352,625	1,933,012	824,273
Clark	990,897 *	1,005,748 *	127 *	1,832,094 *	1,817,699 *	14,978 *	1,162,862	1,292,988	583
Clinton	1,244,325 *	1,398,372 *	322,460 *	1,148,375	1,069,807	476,507	1,138,950	943,184	397,939
Cooper	1,050,583 *	1,118,063 *	246,546 *	954,370 *	832,643 *	314,026 *	903,340	1,154,797	192,299
Crawford	1,600,678 *	1,482,667 *	959,050 *	1,482,394 *	1,200,503 *	841,039 *	1,443,557	1,432,343	559,148
Dade	929,971 *	909,826 *	275,694 *	830,201 *	802,673 *	255,549 *	824,841	835,223	228,021
Dallas	872,379 *	1,162,391 *	255,962 *	833,826 *	744,272 *	545,974 *	785,478	655,055	456,420
Daviess	2,234,874 *	1,968,888 *	838,064 *	1,301,111 *	1,259,433 *	572,078 *	1,552,034	1,551,242	530,400
DeKalb	781,581 *	662,111 *	805,619 *	594,627	382,143	686,149	718,231	559,489	473,665
Dent	1,008,930 *	1,120,132 *	161,696 *	1,000,497	988,332	272,898	795,267	807,034	260,733
Douglas	826,594 *	832,027 *	110,920 *	767,646	745,462	116,353	722,141	699,429	94,169
Dunklin	806,259 *	825,555 *	852,500 *	864,480 *	796,992 *	871,796 *	741,587	676,822	804,308
Gasconade	1,309,773 *	1,183,215 *	263,057 *	1,272,538	1,392,154	136,499	1,585,658	1,704,427	256,115
Gentry	1,033,895 *	1,093,407 *	129,147 *	728,798	705,797	188,659	546,574	522,978	165,658
Grundy	655,088 *	596,280 *	256,612 *	733,902 *	778,872 *	197,804 *	776,703	821,180	242,774
Harrison	1,678,633 *	1,170,359 *	1,957,026 *	1,277,652 *	1,339,831 *	1,448,752 *	1,666,072	1,236,604	1,510,931
Henry	1,084,116 *	950,291 *	1,009,945 *	914,107 *	740,156 *	876,119 *	1,452,944	1,240,604	702,168
Hickory	575,715 *	586,096 *	64,177 *	614,048	675,166	74,558	608,273	580,720	135,676
Holt	1,127,467 *	1,117,563 *	73,263 *	1,183,253 *	1,010,854 *	63,359 *	980,856	1,093,819	-109,040
Howard	1,001,910 *	1,056,438 *	334,051 *	854,313 *	935,641 *	388,579 *	920,237	948,259	469,907
Howell	1,375,469 *	1,333,937 *	214,101 *	1,300,361 *	1,275,966 *	172,569 *	1,313,251	1,279,841	148,174
Iron	896,254 *	886,415 *	395,425 *	892,407	830,127	385,587	877,977	839,633	323,307
Knox	1,231,997 *	1,350,765 *	146,388 *	1,362,081	1,426,182	265,156	1,281,290	1,266,631	329,257
Laclede	905,048 *	1,002,710 *	102,771 *	1,159,484 *	1,109,497 *	200,433 *	1,338,195	1,208,103	150,446
Lawrence	1,969,844 *	1,997,897 *	253,901 *	1,857,003 *	1,878,599 *	281,954 *	1,750,010	1,890,961	303,550
Lewis	704,004 *	808,416 *	-3,588 *	707,464 *	687,127 *	100,824 *	672,893	654,757	80,487
Lincoln	3,290,322 *	3,141,405 *	246,126 *	3,113,069	2,755,104	97,209	2,799,463	2,736,694	-260,756
Linn	1,336,459 *	1,525,972 *	221,086 *	1,328,748	1,312,182	410,599	2,390,487	2,486,179	394,033
Livingston	779,882 *	836,361 *	107,833 *	663,948	775,535	164,312	569,220	516,688	275,899
Macon	1,292,342 *	1,279,248 *	451,055 *	1,270,900	1,235,495	437,961	1,160,144	1,057,542	402,556
Madison	771,470 *	731,490 *	47,176 *	549,837 *	551,001 *	7,196 *	482,882	521,766	8,360
Maries	$ 1,831,647 *	1,779,631 *	70,372 *	584,375 *	630,849 *	18,356 *	804,866	790,137	64,830

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 1-B

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
SPECIAL ROAD AND BRIDGE FUND

	December 31,								
	1998			1997			1996		
County	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance
Marion	$ 1,085,683 *	1,054,665 *	31,245 *	989,442 *	1,012,356 *	227 *	935,738	976,320	23,141
McDonald	1,190,127 *	1,186,974 *	374,133 *	1,146,683	1,325,488	370,980	1,100,521	1,137,527	549,785
Mercer	821,029 *	935,389 *	500,175 *	891,597 *	773,643 *	614,535 *	667,487	609,914	496,581
Miller	1,656,649 *	1,513,807 *	219,278 *	1,057,467	1,005,097	76,436	897,190	964,987	24,066
Mississippi	839,863 *	775,748 *	317,610 *	965,468	862,868	253,495	1,022,001	1,043,044	150,895
Moniteau	872,229 *	861,154 *	156,337 *	848,818 *	747,500 *	145,261 *	1,072,774	1,031,115	43,943
Monroe	915,437 *	1,025,035 *	43,486 *	980,219	1,006,500	153,084	1,127,282	982,800	179,365
Montgomery	1,071,499 *	1,052,985 *	148,934 *	1,353,955	1,402,236	130,420	1,276,039	1,236,853	178,701
Morgan	1,436,729 *	1,654,527 *	555,099 *	1,576,683 *	1,288,291 *	772,898 *	1,575,132	1,614,308	484,506
New Madrid	1,916,646 *	1,761,479 *	1,349,629 *	2,148,141	2,307,617	1,194,462	1,978,252	1,819,667	1,353,938
Newton	2,004,358 *	1,780,504 *	710,052 *	2,778,949 *	2,314,850 *	486,198 *	1,561,155	1,712,230	22,099
Nodaway	2,139,762 *	1,660,216 *	1,514,583 *	2,361,070 *	1,753,262 *	1,035,037 *	2,185,691	1,984,063	427,229
Oregon	607,822 *	477,955 *	320,210 *	601,494	550,507	190,343	550,246	547,858	139,356
Osage	863,277 *	784,055 *	253,419 *	759,129	793,261	174,198	653,676	701,999	208,330
Ozark	862,263 *	813,330 *	51,254 *	780,719	866,772	2,321	716,411	724,554	88,374
Pemiscot	1,018,570 *	923,132 *	497,547 *	1,014,355 *	879,983 *	402,108 *	923,789	756,626	267,736
Perry	1,101,035 *	1,055,284 *	430,134 *	1,084,445 *	1,166,339 *	384,383 *	985,552	947,406	466,277
Phelps	2,479,550 *	2,384,101 *	96,361 *	2,325,242 *	2,328,325 *	912 *	2,170,425	2,221,630	3,995
Pike	1,930,449 *	1,822,162 *	117,842 *	1,026,418	1,041,684	9,554	1,066,508	1,141,851	24,820
Polk	1,931,674 *	1,977,983 *	7,737 *	1,915,159	1,881,331	54,046	1,844,171	1,883,945	20,218
Pulaski	1,215,442 *	1,236,865 *	87,100 *	2,229,199 *	2,147,272 *	108,523 *	858,793	917,160	26,596
Putnam	808,404 *	788,764 *	114,337 *	698,857 *	850,938 *	94,697 *	789,931	803,865	246,778
Ralls	1,090,087 *	1,222,481 *	348,314 *	1,191,736 *	1,551,409 *	480,707 *	1,216,980	1,168,575	840,380
Randolph	1,498,656 *	1,492,092 *	1,175,138 *	1,673,901 *	1,738,825 *	1,168,574 *	1,482,518	1,586,115	1,233,498
Ray	1,198,045 *	1,514,912 *	15,439 *	1,233,806 *	1,060,755 *	332,306 *	1,058,077	1,015,305	159,255
Reynolds	942,544 *	890,890 *	206,546 *	910,502	962,308	154,892	853,446	784,242	206,698
Ripley	456,143 *	483,969 *	93,261 *	409,727 *	353,891 *	121,087 *	367,467	385,794	65,251
St. Clair	823,598 *	757,853 *	262,261 *	875,719 *	818,329 *	196,516 *	958,063	973,869	139,126
Ste. Genevieve	1,084,156 *	1,074,716 *	1,259,218 *	972,385 *	784,941 *	1,249,779 *	882,149	800,881	1,062,335
Schuyler	765,724 *	664,160 *	174,132 *	800,280 *	809,881 *	72,568 *	478,454	611,776	82,169
Scotland	951,208 *	1,037,705 *	255,254 *	925,466 *	865,634 *	341,751 *	845,510	784,688	281,919
Scott	931,086 *	940,814 *	127,697 *	877,290	884,387	137,425	983,376	909,798	144,522
Shannon	1,110,154 *	587,448 *	1,187,053 *	827,708	654,579	664,347	700,710	668,592	491,218
Shelby	1,029,187 *	1,053,393 *	78,710 *	846,280	864,371	102,916	1,033,029	1,184,943	121,007
Stoddard	1,374,740 *	1,358,780 *	1,175,495 *	1,464,608 *	1,329,632 *	1,159,535 *	1,482,416	1,477,057	1,024,559
Stone	4,049,855 *	3,811,226 *	825,754 *	3,723,594 *	3,602,913 *	587,125 *	3,862,498	3,790,397	466,444
Sullivan	1,093,076 *	1,173,812 *	436,828 *	1,399,642 *	1,247,933 *	517,564 *	1,048,811	889,225	365,855
Taney	1,580,457 *	1,384,044 *	2,373,829 *	1,746,953	1,331,173	2,177,416	1,610,067	1,237,498	1,761,636
Texas	915,552 *	917,478 *	151,859 *	924,211 *	897,038 *	153,786 *	838,846	816,208	126,613
Vernon	1,170,197 *	1,480,123 *	351,294 *	1,345,759	1,428,878	661,220	1,185,608	1,016,038	744,339
Warren	1,466,977 *	1,077,053 *	571,320 *	1,201,807 *	1,184,599 *	181,396 *	1,224,791	1,310,317	164,188
Washington	1,481,717 *	1,457,258 *	143,144 *	1,783,590	1,704,698	118,685	1,326,025	1,287,324	39,793
Wayne	1,133,020 *	1,177,529 *	24,783 *	1,200,623	1,183,590	69,292	971,596	1,033,129	52,259
Webster	1,224,879 *	1,178,530 *	123,687 *	1,076,601 *	1,044,127 *	77,338 *	1,309,473	1,298,899	44,864
Worth	623,422 *	601,792 *	98,514 *	617,473	555,736	76,884	809,894	953,347	15,147
Wright	928,891 *	928,305 *	115,565 *	733,626	769,370	114,978	649,080	575,750	150,722
Average	$ 1,234,341	1,193,163	403,442	1,191,118	1,148,638	366,113	1,143,304	1,120,800	323,633

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 2-A

MISSOURI 3RD CLASS COUNTIES
RATIO OF CASH BALANCE TO DISBURSEMENTS
GENERAL REVENUE FUND

	Year Ended December 31,		
County	1998	1997	1996
Adair	0.11 *	0.01	0.01
Andrew	1.27 *	0.96	0.77
Atchison	0.44 *	0.52	0.44
Audrain	0.43 *	0.15	0.15
Barry	0.83 *	0.6 *	0.44
Barton	0.44 *	0.73	0.48
Bates	0.4 *	0.06	0.26
Benton	0.15 *	0.13	0.19
Bollinger	0.03 *	0.03	0.04
Butler	0.13 *	0.11 *	0.01
Caldwell	-0.13 *	0.05	0.11
Carroll	0.09 *	0.14 *	0.1
Carter	0.07 *	-0	0.04
Cedar	0.58 *	0.28	0.3
Chariton	0.31 *	0.38	0.52
Christian	0.49 *	0.27	0.03
Clark	0.01 *	0 *	0
Clinton	0.05 *	0.07	0.09
Cooper	0.71 *	0.77 *	0.76
Crawford	0.02 *	0.01 *	0.01
Dade	1.11 *	1.02 *	1.27
Dallas	0.28 *	0.18 *	0.64
Daviess	0.95 *	1.26 *	0.84
DeKalb	0.13 *	0.1	0.09
Dent	0.54 *	0.51	0.45
Douglas	0.41 *	0.47	0.47
Dunklin	0.9 *	0.56 *	0.61
Gasconade	0.22 *	0.24	0.34
Gentry	0.21 *	0.1	0.05
Grundy	0.83 *	0.89 *	0.85
Harrison	0.13 *	0.3 *	0.37
Henry	0.19 *	0.18 *	0.26
Hickory	0.18 *	0.06	0.08
Holt	0.09 *	0.1 *	0.03
Howard	0.55 *	0.67 *	0.14
Howell	0.1 *	0.12 *	0.13
Iron	0.27 *	0.23	0.28
Knox	0 *	0	0.1
Laclede	0.19 *	0.13 *	0.16
Lawrence	0.23 *	0.2 *	0.09
Lewis	0.18 *	0.17 *	0.03
Lincoln	0.09 *	0.01	0.08
Linn	0.3 *	0.25	0.21
Livingston	0.13 *	0.25	0.21
Macon	0.04 *	0.12	0.13
Madison	0.05 *	0.06 *	0.03
Maries	0.08 *	0.08 *	0.08

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 2-A

MISSOURI 3RD CLASS COUNTIES
RATIO OF CASH BALANCE TO DISBURSEMENTS
GENERAL REVENUE FUND

	Year Ended December 31,		
County	1998	1997	1996
Marion	0.1 *	0.09 *	0.08
McDonald	0.05 *	0.28	0.2
Mercer	0.22 *	0.22 *	0.18
Miller	0.19 *	0.03	0
Mississippi	0.29 *	0.25	0.22
Moniteau	0.05 *	0.12 *	0.18
Monroe	0.06 *	0.12	0.1
Montgomery	0.05 *	0.01	0.12
Morgan	0.46 *	0.39 *	0.42
New Madrid	0.73 *	0.83	0.8
Newton	0.49 *	0.36 *	0.59
Nodaway	0.72 *	0.84 *	0.83
Oregon	0.63 *	0.72	0.69
Osage	0.17 *	0.17	0.18
Ozark	0 *	0	0.1
Pemiscot	0.34 *	0.36 *	0.41
Perry	0.15 *	0.26 *	0.23
Phelps	0.07 *	0 *	0
Pike	0.08 *	0.17	0.22
Polk	0.95 *	0.74	0.23
Pulaski	0.2 *	0.2 *	0.74
Putnam	0.22 *	0.29 *	0.26
Ralls	0 *	0.09 *	0.11
Randolph	-0.03 *	-0 *	0.01
Ray	0.01 *	0.06 *	0.15
Reynolds	0.16 *	0.26	0.15
Ripley	0.81 *	0.56 *	0.59
St. Clair	0.2 *	0.28 *	0.27
Ste. Genevieve	0.26 *	0.28 *	0.2
Schuyler	0.77 *	0.69 *	0.59
Scotland	0.37 *	0.34 *	0.21
Scott	0.14 *	0.21	0.18
Shannon	0.09 *	0.22	0.06
Shelby	0.14 *	0.19	0.25
Stoddard	0.44 *	0.83 *	0.81
Stone	0.18 *	0.31 *	0.14
Sullivan	0.26 *	0.39 *	0.26
Taney	0.6 *	0.44	0.37
Texas	0.52 *	0.55 *	0.65
Vernon	0.22 *	0.26	0.22
Warren	0.23 *	0.21 *	0.22
Washington	0.03 *	0.02	0.02
Wayne	0 *	0.1	0.15
Webster	0.14 *	0.14 *	0.1
Worth	-0.13 *	0	0.02
Wright	0.37 *	0.33	0.29
Average	0.29	0.29	0.27

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 2-B

MISSOURI 3RD CLASS COUNTIES
RATIO OF CASH BALANCE TO DISBURSEMENTS
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,		
County	1998	1997	1996
Adair	0.04 *	0.14	0.17
Andrew	0.19 *	0.32	0.15
Atchison	0.32 *	0.12	0.1
Audrain	0.26 *	0.39	0.52
Barry	1.09 *	0.69 *	0.22
Barton	0.94 *	0.56	0.2
Bates	0.33 *	0.12	0.28
Benton	1.11 *	1.2	0.69
Bollinger	0 *	0.09	0.07
Butler	0.28 *	0.2 *	0.05
Caldwell	0.21 *	0.23	0.25
Carroll	0.58 *	0.12 *	0.4
Carter	0.17 *	0.12	0.56
Cedar	0.46 *	0.15	0.06
Chariton	0.54 *	0.81	0.69
Christian	0.38 *	0.25	0.43
Clark	0 *	0.01 *	0
Clinton	0.23 *	0.45	0.42
Cooper	0.22 *	0.38 *	0.17
Crawford	0.65 *	0.7 *	0.39
Dade	0.3 *	0.32 *	0.27
Dallas	0.22 *	0.73 *	0.7
Daviess	0.43 *	0.45 *	0.34
DeKalb	1.22 *	1.8	0.85
Dent	0.14 *	0.28	0.32
Douglas	0.13 *	0.16	0.13
Dunklin	1.03 *	1.09 *	1.19
Gasconade	0.22 *	0.1	0.15
Gentry	0.12 *	0.27	0.32
Grundy	0.43 *	0.25 *	0.3
Harrison	1.67 *	1.08 *	1.22
Henry	1.06 *	1.18 *	0.57
Hickory	0.11 *	0.11	0.23
Holt	0.07 *	0.06 *	-0.1
Howard	0.32 *	0.42 *	0.5
Howell	0.16 *	0.14 *	0.12
Iron	0.45 *	0.46	0.39
Knox	0.11 *	0.19	0.26
Laclede	0.1 *	0.18 *	0.12
Lawrence	0.13 *	0.15 *	0.16
Lewis	-0 *	0.15 *	0.12
Lincoln	0.08 *	0.04	-0.1
Linn	0.14 *	0.31	0.16
Livingston	0.13 *	0.21	0.53
Macon	0.35 *	0.35	0.38
Madison	0.06 *	0.01 *	0.02
Maries	0.04 *	0.03 *	0.08

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 2-B

MISSOURI 3RD CLASS COUNTIES
RATIO OF CASH BALANCE TO DISBURSEMENTS
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,		
County	1998	1997	1996
Marion	0.03 *	0 *	0.02
McDonald	0.32 *	0.28	0.48
Mercer	0.53 *	0.79 *	0.81
Miller	0.14 *	0.08	0.02
Mississippi	0.41 *	0.29	0.14
Moniteau	0.18 *	0.19 *	0.04
Monroe	0.04 *	0.15	0.18
Montgomery	0.14 *	0.09	0.14
Morgan	0.34 *	0.6 *	0.3
New Madrid	0.77 *	0.52	0.74
Newton	0.4 *	0.21 *	0.01
Nodaway	0.91 *	0.59 *	0.22
Oregon	0.67 *	0.35	0.25
Osage	0.32 *	0.22	0.3
Ozark	0.06 *	0	0.12
Pemiscot	0.54 *	0.46 *	0.35
Perry	0.41 *	0.33 *	0.49
Phelps	0.04 *	0 *	0
Pike	0.06 *	0.01	0.02
Polk	0 *	0.03	0.01
Pulaski	0.07 *	0.05 *	0.03
Putnam	0.14 *	0.11 *	0.31
Ralls	0.28 *	0.31 *	0.72
Randolph	0.79 *	0.67 *	0.78
Ray	0.01 *	0.31 *	0.16
Reynolds	0.23 *	0.16	0.26
Ripley	0.19 *	0.34 *	0.17
St. Clair	0.35 *	0.24 *	0.14
Ste. Genevieve	1.17 *	1.59 *	1.33
Schuyler	0.26 *	0.09 *	0.13
Scotland	0.25 *	0.39 *	0.36
Scott	0.14 *	0.16	0.16
Shannon	2.02 *	1.01	0.73
Shelby	0.07 *	0.12	0.1
Stoddard	0.87 *	0.87 *	0.69
Stone	0.22 *	0.16 *	0.12
Sullivan	0.37 *	0.41 *	0.41
Taney	1.72 *	1.64	1.42
Texas	0.17 *	0.17 *	0.16
Vernon	0.24 *	0.46	0.73
Warren	0.53 *	0.15 *	0.13
Washington	0.1 *	0.07	0.03
Wayne	0.02 *	0.06	0.05
Webster	0.1 *	0.07 *	0.03
Worth	0.16 *	0.14	0.02
Wright	0.12 *	0.15	0.26
Average	0.37	0.35	0.31

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 3-A

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
GENERAL REVENUE FUND

	Property Taxes			Sales Tax			Intergovernmental			Charges for Services			Interest			Other		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Adair	0 *	1	0	61 *	52	60	10 *	14	10	16 *	14	14	1 *	0	1	12 *	19	15
Andrew	21 *	23	23	34 *	32	35	1 *	9	1	26 *	22	32	7 *	6	6	11 *	8	3
Atchison	37 *	35	36	23 *	26	26	10 *	12	13	21 *	20	18	3 *	3	3	6 *	4	4
Audrain	17 *	13	14	44 *	48	49	15 *	16	16	20 *	19	19	1 *	1	1	3 *	3	1
Barry	0 *	0 *	1	55 *	59 *	62	15 *	12 *	13	19 *	20 *	20	2 *	2 *	3	9 *	7 *	1
Barton	8 *	8	8	54 *	57	56	7 *	7	8	20 *	23	21	3 *	2	2	8 *	3	5
Bates	55 *	57	56	0 *	0	0	3 *	4	5	33 *	32	33	2 *	1	2	7 *	6	4
Benton	13 *	12	11	36 *	39	40	15 *	17	17	20 *	22	24	2 *	2	3	14 *	8	5
Bollinger	14 *	15	16	48 *	59	58	8 *	7	6	11 *	14	15	0 *	0	1	19 *	5	4
Butler	8 *	7 *	5	34 *	36 *	48	18 *	17 *	17	14 *	14 *	18	1 *	0 *	0	25 *	26 *	12
Caldwell	26 *	19	21	25 *	25	27	7 *	7	7	25 *	24	23	0 *	1	1	17 *	24	21
Carroll	24 *	21 *	23	22 *	21 *	24	12 *	13 *	9	15 *	13 *	23	1 *	1 *	1	26 *	31 *	20
Carter	1 *	12	17	35 *	40	52	25 *	4	2	13 *	13	18	0 *	0	1	26 *	31	10
Cedar	9 *	9	7	32 *	41	41	41 *	30	32	15 *	17	17	3 *	1	2	0 *	2	1
Chariton	22 *	25	26	22 *	24	22	35 *	28	28	11 *	11	13	2 *	3	3	8 *	9	8
Christian	11 *	25	34	0 *	0	0	10 *	6	8	37 *	32	49	3 *	2	2	39 *	35	7
Clark	30 *	32 *	30	24 *	22 *	22	8 *	7 *	12	19 *	16 *	18	1 *	2 *	2	18 *	21 *	16
Clinton	24 *	24	19	30 *	26	28	18 *	19	22	23 *	26	25	1 *	2	2	4 *	3	4
Cooper	12 *	8 *	13	32 *	32 *	36	17 *	17 *	16	12 *	12 *	23	5 *	5 *	6	22 *	26 *	6
Crawford	6 *	4 *	5	39 *	41 *	41	24 *	25 *	25	20 *	20 *	23	0 *	0 *	0	11 *	10 *	6
Dade	13 *	10 *	12	42 *	41 *	44	15 *	12 *	10	17 *	16 *	18	6 *	9 *	6	7 *	12 *	10
Dallas	2 *	2 *	2	50 *	49 *	49	10 *	12 *	11	33 *	26 *	26	2 *	3 *	4	3 *	8 *	8
Daviess	31 *	37 *	34	31 *	32 *	36	5 *	6 *	6	16 *	18 *	17	4 *	4 *	3	13 *	3 *	4
DeKalb	3 *	1	3	45 *	54	53	11 *	8	8	16 *	20	18	1 *	1	2	24 *	16	16
Dent	5 *	10	11	49 *	55	59	10 *	7	5	23 *	19	18	3 *	3	2	10 *	6	5
Douglas	7 *	7	7	56 *	62	58	16 *	11	11	18 *	13	13	1 *	2	2	2 *	5	9
Dunklin	19 *	27 *	35	39 *	0 *	0	16 *	33 *	26	15 *	19 *	24	0 *	3 *	6	11 *	18 *	9
Gasconade	14 *	12	10	55 *	61	60	3 *	4	4	20 *	18	18	2 *	2	3	6 *	3	5
Gentry	27 *	30	34	48 *	44	31	6 *	7	9	11 *	13	19	1 *	1	1	7 *	5	6
Grundy	8 *	7 *	8	40 *	40 *	44	20 *	17 *	15	15 *	13 *	15	4 *	3 *	3	13 *	20 *	15
Harrison	30 *	30 *	30	23 *	24 *	25	4 *	7 *	11	28 *	29 *	30	2 *	2 *	2	13 *	8 *	2
Henry	1 *	0 *	0	47 *	49 *	54	22 *	18 *	14	22 *	24 *	21	1 *	1 *	1	7 *	8 *	10
Hickory	12 *	11	8	40 *	39	37	9 *	8	8	13 *	12	14	1 *	1	1	25 *	29	32
Holt	22 *	22 *	23	30 *	34 *	35	19 *	15 *	18	22 *	18 *	20	2 *	2 *	2	5 *	9 *	2
Howard	19 *	12 *	16	23 *	16 *	23	27 *	16 *	33	14 *	15 *	19	3 *	2 *	1	14 *	39 *	8
Howell	1 *	1 *	1	54 *	59 *	57	24 *	19 *	18	16 *	16 *	16	1 *	1 *	2	4 *	4 *	6
Iron	32 *	31	34	26 *	28	29	10 *	19	15	17 *	17	17	2 *	2	1	13 *	3	4
Knox	27 *	25	22	41 *	47	44	0 *	0	3	18 *	18	16	1 *	1	1	13 *	9	14
Laclede	8 *	3 *	2	52 *	62 *	54	8 *	8 *	7	25 *	18 *	16	2 *	2 *	2	5 *	7 *	19
Lawrence	10 *	9 *	8	39 *	38 *	41	27 *	29 *	28	16 *	15 *	15	2 *	2 *	2	6 *	7 *	6
Lewis	14 *	16 *	15	45 *	45 *	42	7 *	12 *	9	17 *	14 *	17	1 *	1 *	0	16 *	12 *	17
Lincoln	9 *	9	10	36 *	41	41	19 *	14	10	16 *	17	19	1 *	1	1	19 *	18	19
Linn	6 *	9	7	43 *	53	51	23 *	13	16	14 *	17	14	2 *	2	2	12 *	6	10
Livingston	0 *	0	0	52 *	55	61	26 *	23	16	15 *	14	17	1 *	2	2	6 *	6	4
Macon	18 *	19	17	38 *	39	38	18 *	15	16	19 *	20	20	1 *	1	1	6 *	6	8
Madison	6 *	11 *	8	29 *	34 *	35	15 *	16 *	21	31 *	24 *	19	0 *	0 *	0	19 *	15 *	17
Maries	26 *	27 *	29	37 *	46 *	41	8 *	4 *	6	15 *	20 *	19	1 *	1 *	1	13 *	2 *	4

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 3-A

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
GENERAL REVENUE FUND

	Property Taxes			Sales Tax			Intergovernmental			Charges for Services			Interest			Other		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Marion	2 *	0 *	0	46 *	46 *	47	24 *	25 *	27	20 *	19 *	19	0 *	0 *	1	8 *	10 *	6
McDonald	20 *	23	20	32 *	40	44	13 *	14	13	16 *	18	18	1 *	2	2	18 *	3	3
Mercer	29 *	26 *	21	41 *	40 *	42	14 *	13 *	13	8 *	8 *	13	1 *	1 *	1	7 *	12 *	10
Miller	5 *	4	5	48 *	51	53	21 *	19	18	22 *	23	20	1 *	0	1	3 *	3	3
Mississippi	13 *	15	14	46 *	45	42	13 *	16	17	12 *	13	14	2 *	1	1	14 *	10	12
Moniteau	22 *	20 *	18	38 *	41 *	35	16 *	16 *	18	18 *	18 *	16	1 *	1 *	1	5 *	4 *	12
Monroe	15 *	14	14	41 *	46	49	18 *	17	11	20 *	19	20	1 *	1	1	5 *	3	5
Montgomery	13 *	17	16	32 *	44	45	28 *	12	18	12 *	17	18	1 *	1	1	14 *	9	2
Morgan	16 *	15 *	13	45 *	48 *	49	0 *	1 *	1	22 *	24 *	22	2 *	3 *	3	15 *	9 *	12
New Madrid	22 *	21	20	37 *	41	45	20 *	19	16	15 *	12	13	4 *	4	4	2 *	3	2
Newton	0 *	0 *	0	69 *	70 *	70	9 *	10 *	7	14 *	13 *	14	3 *	3 *	3	5 *	4 *	6
Nodaway	1 *	1 *	1	70 *	69 *	68	7 *	6 *	5	9 *	10 *	7	4 *	5 *	3	9 *	9 *	16
Oregon	3 *	3	2	61 *	64	64	18 *	14	17	10 *	10	10	3 *	3	3	5 *	6	4
Osage	21 *	21	21	41 *	43	41	9 *	7	9	22 *	21	21	2 *	2	2	5 *	6	6
Ozark	10 *	11	9	41 *	51	46	9 *	15	12	12 *	15	13	0 *	0	0	28 *	8	20
Pemiscot	14 *	13 *	11	32 *	35 *	35	13 *	21 *	26	32 *	21 *	19	1 *	1 *	3	8 *	9 *	6
Perry	15 *	14 *	14	43 *	46 *	42	19 *	20 *	20	13 *	13 *	14	1 *	1 *	2	9 *	6 *	8
Phelps	10 *	9 *	10	28 *	25 *	34	30 *	20 *	22	10 *	11 *	15	4 *	6 *	2	18 *	29 *	17
Pike	18 *	17	17	23 *	22	24	41 *	46	41	8 *	8	10	1 *	1	1	9 *	6	7
Polk	52 *	49	45	0 *	0	0	3 *	4	5	31 *	28	24	6 *	5	5	8 *	14	21
Pulaski	1 *	2 *	1	38 *	55 *	35	10 *	6 *	4	19 *	22 *	15	2 *	4 *	3	30 *	11 *	42
Putnam	41 *	44 *	44	27 *	31 *	32	13 *	7 *	4	13 *	13 *	16	2 *	1 *	2	4 *	4 *	2
Ralls	18 *	15 *	18	49 *	45 *	47	6 *	7 *	12	15 *	13 *	16	0 *	0 *	1	12 *	20 *	6
Randolph	15 *	15 *	18	37 *	38 *	41	20 *	16 *	10	20 *	19 *	19	1 *	1 *	1	7 *	11 *	11
Ray	0 *	0 *	0	61 *	61 *	61	8 *	10 *	10	20 *	20 *	20	1 *	1 *	1	10 *	8 *	8
Reynolds	51 *	39	40	0 *	0	0	21 *	34	31	21 *	18	19	2 *	2	2	5 *	7	8
Ripley	36 *	35 *	38	0 *	0 *	0	17 *	18 *	25	20 *	24 *	26	4 *	3 *	3	23 *	20 *	8
St. Clair	15 *	14 *	13	12 *	14 *	14	2 *	4 *	9	64 *	62 *	61	2 *	2 *	1	5 *	4 *	2
Ste. Genevieve	12 *	10 *	11	20 *	19 *	22	49 *	54 *	50	9 *	10 *	9	2 *	2 *	2	8 *	5 *	6
Schuyler	23 *	19 *	22	27 *	25 *	28	12 *	8 *	8	20 *	27 *	32	2 *	2 *	2	16 *	19 *	8
Scotland	32 *	33 *	24	32 *	36 *	27	18 *	12 *	12	12 *	12 *	8	3 *	3 *	3	3 *	4 *	26
Scott	9 *	9	6	53 *	55	57	13 *	10	11	20 *	22	22	1 *	2	2	4 *	2	2
Shannon	20 *	25	12	28 *	26	33	21 *	15	17	17 *	17	19	1 *	1	2	13 *	16	17
Shelby	33 *	23	22	44 *	43	47	9 *	8	7	6 *	16	17	2 *	2	2	6 *	8	5
Stoddard	15 *	13 *	14	43 *	42 *	47	1 *	1 *	19	14 *	14 *	13	4 *	6 *	4	23 *	24 *	3
Stone	20 *	20 *	18	28 *	28 *	29	6 *	5 *	7	33 *	36 *	35	1 *	1 *	2	12 *	10 *	9
Sullivan	22 *	20 *	20	45 *	52 *	55	1 *	2 *	1	19 *	17 *	15	3 *	2 *	2	10 *	7 *	7
Taney	0 *	0	0	71 *	67	70	5 *	5	6	14 *	12	13	4 *	4	6	6 *	12	5
Texas	0 *	0 *	5	54 *	55 *	56	17 *	18 *	10	20 *	18 *	19	2 *	3 *	4	7 *	6 *	6
Vernon	11 *	13	9	42 *	44	47	15 *	17	19	16 *	19	18	1 *	1	1	15 *	6	6
Warren	12 *	11 *	11	46 *	46 *	46	7 *	8 *	8	29 *	25 *	32	1 *	2 *	1	5 *	8 *	2
Washington	21 *	19	11	31 *	33	35	19 *	10	13	16 *	16	17	0 *	0	0	13 *	22	24
Wayne	14 *	20	21	33 *	36	39	28 *	19	16	12 *	14	14	1 *	1	1	12 *	10	9
Webster	6 *	6 *	3	52 *	54 *	55	7 *	8 *	13	28 *	29 *	26	1 *	1 *	2	6 *	2 *	1
Worth	46 *	33	35	17 *	13	14	5 *	4	6	16 *	9	11	0 *	0	0	16 *	41	34
Wright	0 *	0	0	57 *	59	58	19 *	16	18	16 *	16	17	3 *	2	2	5 *	7	5
Average	16	16	15	38	39	40	15	14	14	18	18	20	2	2	2	11	11	9

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 3-B

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
SPECIAL ROAD AND BRIDGE FUND

	Property Taxes			Sales Tax			Intergovernmental			Interest			Other		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Adair	30 *	22	23	0 *	0	0	57 *	54	56	1 *	2	2	12 *	22	19
Andrew	32 *	36	34	15 *	15	15	49 *	46	40	2 *	2	2	2 *	1	9
Atchison	36 *	54	42	0 *	0	0	1 *	0	3	0 *	2	1	63 *	44	54
Audrain	31 *	27	27	0 *	0	0	62 *	67	70	2 *	2	1	5 *	4	2
Barry	17 *	14 *	28	0 *	0 *	0	75 *	81 *	71	5 *	5 *	1	3 *	0 *	0
Barton	0 *	0	0	0 *	0	0	95 *	92	98	2 *	1	1	3 *	7	1
Bates	0 *	0	0	0 *	0	0	87 *	97	97	1 *	0	1	12 *	3	2
Benton	22 *	19	15	9 *	0	0	57 *	70	64	9 *	8	6	3 *	3	15
Bollinger	22 *	21	18	0 *	0	0	66 *	78	81	0 *	0	0	12 *	1	1
Butler	6 *	3 *	2	32 *	32 *	34	61 *	63 *	62	0 *	0 *	0	1 *	2 *	2
Caldwell	2 *	4	3	0 *	0	0	95 *	91	88	1 *	2	2	2 *	3	7
Carroll	0 *	0 *	4	0 *	0 *	0	98 *	99 *	91	2 *	1 *	1	0 *	0 *	4
Carter	11 *	13	14	0 *	0	0	61 *	70	78	1 *	1	2	27 *	16	6
Cedar	15 *	13	13	0 *	0	0	68 *	75	81	2 *	1	2	15 *	11	4
Chariton	0 *	0	0	0 *	0	0	97 *	20	29	3 *	4	4	0 *	76	67
Christian	0 *	0	0	0 *	0	0	10 *	7	3	1 *	2	1	89 *	91	96
Clark	39 *	20 *	30	0 *	0 *	0	57 *	78 *	64	1 *	0 *	1	3 *	2 *	5
Clinton	48 *	46	45	0 *	0	0	42 *	50	46	3 *	3	2	7 *	1	7
Cooper	39 *	34 *	36	0 *	0 *	0	52 *	55 *	55	2 *	2 *	2	7 *	9 *	7
Crawford	20 *	18 *	18	34 *	34 *	35	42 *	45 *	41	4 *	3 *	3	0 *	0 *	3
Dade	3 *	3 *	3	0 *	0 *	0	96 *	93 *	94	0 *	3 *	2	1 *	1 *	1
Dallas	26 *	25 *	25	0 *	0 *	0	69 *	70 *	69	4 *	4 *	3	1 *	1 *	3
Daviess	0 *	0 *	0	0 *	0 *	0	98 *	96 *	97	1 *	2 *	2	1 *	2 *	1
DeKalb	0 *	0	0	11 *	0	0	80 *	88	90	5 *	5	4	4 *	7	6
Dent	25 *	24	29	0 *	0	0	59 *	58	66	2 *	2	2	14 *	16	3
Douglas	17 *	19	19	0 *	0	0	79 *	79	78	1 *	1	0	3 *	1	3
Dunklin	0 *	0 *	0	15 *	12 *	0	72 *	68 *	96	3 *	4 *	4	10 *	16 *	0
Gasconade	25 *	24	18	33 *	33	26	38 *	39	52	2 *	2	2	2 *	2	2
Gentry	2 *	2	3	0 *	0	0	94 *	92	92	1 *	2	1	3 *	4	4
Grundy	6 *	5 *	4	0 *	0 *	0	91 *	93 *	74	2 *	1 *	2	1 *	1 *	20
Harrison	0 *	0 *	0	22 *	29 *	21	70 *	63 *	73	5 *	6 *	4	3 *	2 *	2
Henry	7 *	7 *	4	0 *	0 *	0	86 *	81 *	80	4 *	3 *	1	3 *	9 *	15
Hickory	28 *	24	22	0 *	0	0	70 *	74	76	1 *	1	2	1 *	1	0
Holt	22 *	21 *	24	12 *	12 *	27	10 *	38 *	47	1 *	0 *	1	55 *	29 *	1
Howard	15 *	16 *	14	20 *	22 *	21	58 *	42 *	56	1 *	1 *	2	6 *	19 *	7
Howell	1 *	2 *	1	19 *	20 *	27	78 *	77 *	71	1 *	1 *	1	1 *	0 *	0
Iron	42 *	39	38	0 *	0	0	52 *	59	55	3 *	2	2	3 *	0	5
Knox	23 *	20	20	8 *	8	8	63 *	67	67	1 *	2	1	5 *	3	4
Laclede	0 *	0 *	0	0 *	0 *	0	88 *	64 *	51	1 *	1 *	0	11 *	35 *	49
Lawrence	2 *	2 *	3	49 *	50 *	50	47 *	47 *	46	1 *	1 *	1	1 *	0 *	0
Lewis	25 *	28 *	29	0 *	0 *	0	66 *	64 *	64	1 *	1 *	0	8 *	7 *	7
Lincoln	22 *	21	23	39 *	39	42	27 *	27	27	1 *	0	0	11 *	13	8
Linn	3 *	3	1	37 *	36	20	51 *	58	77	2 *	3	2	7 *	0	0
Livingston	7 *	10	8	0 *	0	0	92 *	87	88	1 *	2	3	0 *	1	1
Macon	32 *	32	33	0 *	0	0	61 *	63	63	3 *	2	2	4 *	3	2
Madison	23 *	38 *	32	0 *	0 *	0	65 *	57 *	64	0 *	0 *	0	12 *	5 *	4
Maries	7 *	17 *	16	3 *	11 *	7	24 *	68 *	47	0 *	1 *	0	66 *	3 *	30

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

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Schedule 3-B

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
SPECIAL ROAD AND BRIDGE FUND

	Property Taxes			Sales Tax			Intergovernmental			Interest			Other		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Marion	52 *	47 *	47	0 *	0 *	0	45 *	49 *	49	1 *	1 *	1	2 *	3 *	3
McDonald	0 *	0	1	39 *	41	42	58 *	55	53	1 *	2	3	2 *	2	1
Mercer	11 *	10 *	13	0 *	0 *	0	79 *	77 *	70	4 *	2 *	3	6 *	11 *	14
Miller	13 *	19	20	0 *	0	0	84 *	80	79	1 *	1	1	2 *	0	0
Mississippi	40 *	32	29	0 *	15	21	57 *	51	39	2 *	1	1	1 *	1	10
Moniteau	32 *	31 *	23	0 *	0 *	0	67 *	65 *	75	1 *	1 *	1	0 *	3 *	1
Monroe	18 *	14	12	8 *	0	0	67 *	66	77	1 *	1	1	6 *	19	10
Montgomery	51 *	38	38	0 *	0	0	47 *	56	60	1 *	1	1	1 *	5	1
Morgan	18 *	14 *	14	11 *	0 *	0	67 *	71 *	83	4 *	3 *	2	0 *	12 *	1
New Madrid	41 *	35	38	0 *	0	0	54 *	61	55	4 *	4	4	1 *	0	3
Newton	14 *	9 *	8	0 *	0 *	0	65 *	42 *	65	2 *	0 *	1	19 *	49 *	26
Nodaway	4 *	4 *	4	0 *	0 *	11	69 *	64 *	66	3 *	2 *	1	24 *	30 *	18
Oregon	14 *	13	14	0 *	0	0	82 *	82	83	1 *	1	1	3 *	4	2
Osage	19 *	21	24	9 *	0	0	71 *	71	73	1 *	2	2	0 *	6	1
Ozark	18 *	17	18	0 *	0	0	79 *	82	80	0 *	1	1	3 *	0	1
Pemiscot	38 *	36 *	35	14 *	0 *	0	46 *	62 *	61	2 *	1 *	1	0 *	1 *	3
Perry	43 *	40 *	42	0 *	0 *	0	53 *	49 *	54	3 *	3 *	3	1 *	8 *	1
Phelps	10 *	9 *	10	31 *	37 *	32	34 *	38 *	33	0 *	0 *	0	25 *	16 *	25
Pike	16 *	30	25	32 *	4	0	43 *	65	74	1 *	0	0	8 *	1	1
Polk	11 *	10	9	0 *	0	0	49 *	55	40	0 *	1	1	40 *	34	50
Pulaski	21 *	12 *	25	0 *	0 *	0	47 *	25 *	58	1 *	0 *	1	31 *	63 *	16
Putnam	3 *	4 *	3	0 *	0 *	0	93 *	94 *	94	2 *	1 *	2	2 *	1 *	1
Ralls	26 *	22 *	21	9 *	11 *	19	59 *	61 *	55	2 *	3 *	3	4 *	3 *	2
Randolph	16 *	15 *	19	0 *	0 *	0	74 *	71 *	63	5 *	4 *	6	5 *	10 *	12
Ray	33 *	26 *	33	0 *	0 *	0	0 *	57 *	61	2 *	2 *	2	4 *	15 *	4
Reynolds	19 *	19	19	0 *	0	0	65 *	79	79	2 *	1	1	14 *	1	1
Ripley	0 *	0 *	0	0 *	0 *	0	93 *	95 *	98	2 *	2 *	1	5 *	3 *	1
St. Clair	26 *	22 *	20	0 *	0 *	0	71 *	73 *	78	2 *	1 *	1	1 *	4 *	1
Ste. Genevieve	27 *	27 *	28	0 *	0 *	0	59 *	63 *	64	8 *	7 *	7	6 *	3 *	1
Schuyler	25 *	23 *	35	0 *	0 *	0	72 *	75 *	62	1 *	1 *	2	2 *	1 *	1
Scotland	28 *	28 *	28	14 *	15 *	16	48 *	47 *	48	3 *	3 *	3	7 *	7 *	5
Scott	38 *	38	31	0 *	0	0	60 *	60	50	1 *	2	1	1 *	0	18
Shannon	11 *	14	13	0 *	0	0	57 *	84	84	2 *	2	1	30 *	0	2
Shelby	17 *	20	16	6 *	12	6	75 *	65	74	1 *	1	1	1 *	2	3
Stoddard	0 *	0 *	0	0 *	0 *	0	96 *	96 *	98	4 *	4 *	2	0 *	0 *	0
Stone	0 *	0 *	0	61 *	62 *	59	27 *	27 *	30	1 *	1 *	0	11 *	10 *	11
Sullivan	0 *	0 *	0	0 *	0 *	0	96 *	99 *	98	3 *	1 *	2	1 *	0 *	0
Taney	0 *	0	0	22 *	29	32	69 *	65	64	7 *	5	4	2 *	1	0
Texas	0 *	0 *	0	0 *	0 *	0	99 *	97 *	99	1 *	1 *	1	0 *	2 *	0
Vernon	7 *	5	6	0 *	0	0	88 *	90	92	2 *	3	2	3 *	2	0
Warren	32 *	36 *	34	0 *	0 *	0	63 *	63 *	52	2 *	1 *	2	3 *	0 *	12
Washington	21 *	19	17	33 *	28	37	39 *	50	42	1 *	1	0	6 *	2	4
Wayne	8 *	10	13	33 *	28	36	52 *	61	50	0 *	0	0	7 *	1	1
Webster	25 *	25 *	19	0 *	0 *	0	69 *	73 *	78	1 *	1 *	0	5 *	1 *	3
Worth	23 *	26	18	0 *	0	0	64 *	49	63	1 *	0	0	12 *	25	19
Wright	2 *	3	3	0 *	0	0	96 *	82	89	1 *	1	1	1 *	14	7
Average	17	17	17	7	7	7	65	65	66	2	2	2	9	9	8

* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	County Commission			County Clerk			Elections			Buildings and Grounds			Fringe Benefits		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Adair	5*	3	3	6*	3	4	3*	0	3	4*	4	3	11*	12	11
Andrew	7*	7	7	11*	12	12	4*	1	4	4*	4	6	11*	12	9
Atchison	6*	6	6	7*	7	8	1*	0	2	7*	6	7	13*	15	15
Audrain	4*	3	3	5*	4	4	3*	1	2	6*	6	5	7*	10	9
Barry	4*	3*	2	3*	3*	2	5*	2*	4	4*	4*	5	10*	9*	8
Barton	8*	10	11	8*	10	8	7*	6	10	27*	9	11	4*	5	5
Bates	13*	9	11	12*	9	10	5*	2	4	14*	39	22	10*	7	8
Benton	4*	4	4	4*	4	4	3*	1	3	2*	3	3	5*	6	6
Bollinger	4*	5	4	4*	5	5	5*	1	7	7*	8	11	4*	6	5
Butler	2*	2*	2	3*	3*	3	2*	1*	3	7*	8*	9	11*	12*	10
Caldwell	8*	9	7	8*	8	8	0*	2	2	9*	9	10	10*	8	8
Carroll	6*	10*	8	7*	8*	8	6*	5*	6	10*	6*	6	11*	11*	10
Carter	5*	5	6	3*	4	5	2*	0	3	2*	4	8	4*	4	5
Cedar	5*	4	5	6*	6	6	6*	2	5	9*	8	4	6*	4	5
Charitton	3*	4	4	5*	5	6	2*	1	3	9*	9	10	11*	10	11
Christian	4*	4	4	6*	4	5	6*	3	5	3*	10	5	12*	10	10
Clark	6*	5*	6	7*	4*	4	2*	0*	0	4*	5*	4	1*	1*	1
Clinton	4*	5	5	4*	4	4	4*	2	4	12*	14	11	10*	10	9
Cooper	4*	5*	5	4*	4*	4	3*	2*	3	6*	13*	16	7*	7*	7
Crawford	3*	3*	3	4*	5*	5	3*	0*	2	4*	5*	4	8*	7*	8
Dade	10*	9*	10	10*	10*	13	6*	2*	3	8*	12*	12	6*	8*	9
Dallas	6*	4*	6	6*	4*	6	4*	1*	4	11*	38*	6	8*	4*	5
Daviess	9*	12*	11	9*	12*	12	5*	4*	6	11*	9*	17	3*	4*	4
DeKalb	4*	5	5	6*	8	7	2*	0	2	5*	6	6	9*	10	9
Dent	7*	6	7	6*	7	8	4*	1	3	7*	8	9	4*	9	8
Douglas	4*	4	4	6*	6	6	4*	0	4	5*	6	6	9*	9	8
Dunklin	10*	9*	5	6*	7*	6	3*	2*	3	7*	6*	6	10*	10*	9
Gasconade	5*	5	5	6*	7	5	6*	2	5	4*	4	3	0*	0	1
Gentry	4*	5	6	7*	7	8	2*	0	4	3*	5	6	7*	7	8
Grundy	5*	5*	6	8*	7*	9	4*	3*	5	5*	5*	4	7*	8*	8
Harrison	7*	7*	6	7*	7*	8	4*	3*	4	7*	8*	10	4*	4*	4
Henry	3*	3*	4	4*	4*	4	5*	3*	5	5*	7*	10	5*	4*	5
Hickory	5*	5	4	5*	5	4	4*	1	2	5*	13	31	5*	5	4
Holt	5*	0*	0	7*	8*	9	0*	0*	0	7*	5*	5	14*	15*	14
Howard	5*	6*	5	5*	5*	6	2*	1*	2	4*	5*	4	5*	4*	5
Howell	3*	3*	3	3*	3*	3	3*	2*	4	2*	3*	3	11*	12*	10
Iron	4*	4	5	6*	5	6	3*	1	4	6*	6	6	9*	8	10
Knox	7*	7	3	8*	8	6	2*	0	3	10*	11	11	7*	6	7
Laclede	3*	4*	3	3*	4*	3	2*	1*	2	17*	8*	8	10*	8*	6
Lawrence	8*	6*	7	3*	3*	3	4*	2*	4	4*	4*	3	8*	8*	8
Lewis	5*	5*	6	5*	5*	5	2*	1*	2	3*	4*	3	11*	12*	11
Lincoln	4*	3	4	3*	3	3	2*	1	2	3*	9	8	9*	9	9
Linn	6*	6	6	7*	8	7	5*	2	5	5*	4	7	6*	5	5
Livingston	4*	5	4	4*	4	4	4*	2	6	6*	6	16	13*	13	10
Macon	5*	5	5	4*	5	5	3*	1	3	6*	7	7	13*	13	12
Madison	4*	5*	5	5*	6*	6	5*	3*	6	6*	4*	6	9*	10*	8
Maries	6*	5*	5	6*	6*	5	4*	2*	4	4*	5*	5	9*	10*	0

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	County Commission			County Clerk			Elections			Buildings and Grounds			Fringe Benefits		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Marion	3*	3*	4	4*	4*	4	3*	2*	3	4*	4*	5	0*	0*	0
McDonald	3*	4	4	4*	5	5	2*	2	4	6*	6	5	6*	9	9
Mercer	7*	7*	8	8*	8*	8	2*	1*	3	9*	8*	6	6*	6*	6
Miller	4*	4	3	5*	4	4	6*	2	5	4*	5	7	12*	8	10
Mississippi	4*	6	6	4*	5	5	3*	1	3	7*	6	7	10*	10	11
Moniteau	5*	6*	6	7*	7*	7	3*	1*	5	9*	5*	4	8*	8*	8
Monroe	4*	5	5	6*	6	6	3*	1	4	5*	7	6	13*	11	11
Montgomery	4*	5	5	4*	6	6	1*	0	2	5*	6	4	0*	0	0
Morgan	7*	5*	5	6*	5*	5	2*	1*	2	2*	2*	2	3*	5*	5
New Madrid	3*	3	3	4*	5	5	3*	1	4	10*	7	4	13*	13	13
Newton	2*	1*	2	2*	2*	2	1*	0*	1	7*	6*	7	10*	9*	11
Nodaway	3*	4*	5	4*	5*	6	2*	1*	3	16*	12*	9	4*	4*	2
Oregon	5*	6	6	6*	7	9	3*	1	3	3*	4	3	10*	12	9
Osage	7*	7	7	7*	7	7	6*	3	6	5*	8	4	6*	5	5
Ozark	5*	6	6	4*	5	4	3*	2	4	5*	6	10	10*	9	9
Pemiscot	3*	4*	4	3*	3*	3	6*	4*	6	5*	5*	6	12*	12*	11
Perry	3*	3*	3	3*	4*	3	2*	0*	2	8*	8*	8	10*	10*	9
Phelps	3*	3*	4	3*	3*	5	3*	1*	4	7*	6*	8	11*	11*	13
Pike	3*	3	3	2*	2	3	3*	2	3	2*	2	3	10*	10	10
Polk	11*	11	6	9*	10	6	14*	7	8	14*	11	48	3*	5	2
Pulaski	4*	3*	3	3*	3*	3	2*	1*	3	5*	4*	5	4*	3*	5
Putnam	11*	12*	13	11*	14*	13	4*	1*	4	7*	10*	13	8*	2*	0
Ralls	5*	4*	5	5*	5*	5	4*	2*	4	4*	5*	5	13*	13*	13
Randolph	3*	3*	2	3*	3*	3	1*	1*	2	2*	3*	3	11*	11*	9
Ray	5*	5*	6	6*	5*	5	2*	1*	2	8*	12*	8	0*	0*	0
Reynolds	7*	7	7	7*	8	7	4*	2	4	5*	4	5	5*	6	6
Ripley	8*	8*	9	9*	9*	11	0*	0*	0	10*	20*	11	4*	4*	4
St. Clair	3*	4*	4	4*	5*	5	2*	1*	3	17*	11*	3	9*	9*	7
Ste. Genevieve	3*	3*	3	3*	4*	3	1*	0*	1	2*	2*	3	0*	0*	0
Schuyler	10*	10*	11	11*	10*	11	2*	0*	2	8*	10*	9	7*	7*	8
Scotland	6*	6*	5	7*	7*	5	2*	0*	1	11*	11*	37	5*	6*	4
Scott	2*	3	2	2*	2	2	2*	1	3	9*	5	9	13*	14	12
Shannon	5*	6	6	5*	7	7	3*	1	4	8*	7	6	10*	12	10
Shelby	5*	5	6	6*	6	7	2*	1	2	4*	7	11	11*	10	8
Stoddard	2*	3*	3	3*	4*	4	4*	4*	6	3*	4*	4	12*	14*	14
Stone	4*	5*	4	4*	5*	4	7*	6*	8	4*	5*	5	5*	6*	4
Sullivan	6*	7*	8	6*	7*	7	4*	3*	5	24*	10*	9	4*	5*	5
Taney	2*	2	2	3*	3	3	2*	2	2	5*	12	4	15*	14	13
Texas	5*	5*	5	7*	7*	8	3*	1*	5	7*	5*	6	11*	11*	12
Vernon	4*	4	4	7*	8	8	3*	1	3	7*	7	7	5*	6	5
Warren	4*	4*	4	6*	6*	7	2*	0*	3	6*	2*	2	11*	9*	0
Washington	5*	5	5	7*	6	6	4*	3	4	7*	7	4	0*	0	0
Wayne	4*	5	5	6*	7	8	5*	1	4	7*	8	8	18*	10	9
Webster	4*	4*	3	4*	4*	3	3*	1*	2	4*	6*	39	6*	5*	3
Worth	8*	3	7	11*	9	9	3*	0	3	8*	6	7	5*	4	4
Wright	6*	6	5	6*	6	6	3*	1	3	5*	6	6	9*	10	9
Average	5	5	5	6	6	6	3	2	4	7	7	8	8	8	7

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	Treasurer			Collector			Recorder			Circuit Clerk			Associate Circuit		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Adair	3*	2	2	6*	4	4	6*	4	4	2*	1	2	1*	1	1
Andrew	3*	3	3	9*	8	10	0*	0	0	4*	4	4	1*	2	1
Atchison	2*	2	2	5*	6	6	1*	2	1	0*	0	1	1*	1	1
Audrain	2*	1	1	4*	3	3	4*	3	3	1*	1	1	1*	1	1
Barry	1*	1*	1	5*	5*	4	2*	2*	1	1*	1*	1	1*	1*	1
Barton	5*	8	6	0*	0	0	3*	4	4	2*	2	1	0*	0	3
Bates	12*	10	10	0*	0	0	11*	7	9	2*	1	2	1*	1	1
Benton	1*	1	2	6*	6	6	1*	0	0	1*	3	3	1*	1	1
Bollinger	2*	2	2	5*	6	6	2*	2	2	1*	1	1	1*	1	1
Butler	1*	1*	1	3*	3*	3	3*	3*	4	1*	0*	1	1*	1*	1
Caldwell	5*	5	5	0*	0	0	0*	0	0	4*	5	5	1*	2	1
Carroll	5*	5*	0	0*	0*	7	2*	3*	0	0*	0*	2	1*	1*	1
Carter	2*	2	2	4*	4	5	1*	1	2	1*	1	0	1*	1	1
Cedar	2*	2	2	5*	5	5	3*	3	3	1*	0	0	0*	1	1
Chariton	4*	5	7	0*	0	0	0*	0	0	5*	3	3	0*	0	1
Christian	2*	2	2	6*	6	7	0*	0	0	6*	5	6	3*	2	3
Clark	3*	2*	3	8*	7*	8	0*	0*	0	4*	5*	5	1*	1*	1
Clinton	2*	2	2	4*	5	5	2*	1	1	1*	1	1	1*	1	1
Cooper	2*	2*	2	4*	5*	5	2*	2*	2	1*	1*	1	1*	1*	1
Crawford	1*	1*	2	4*	5*	5	2*	2*	2	1*	1*	1	0*	1*	1
Dade	11*	10*	10	0*	0*	0	0*	0*	0	5*	7*	5	4*	4*	4
Dallas	3*	2*	3	8*	5*	7	0*	0*	0	5*	3*	4	6*	1*	2
Daviess	6*	8*	8	0*	0*	0	0*	0*	0	3*	4*	3	1*	1*	1
DeKalb	3*	6	5	2*	0	0	0*	0	0	5*	5	5	2*	2	1
Dent	3*	3	3	7*	7	7	2*	2	2	1*	2	2	1*	1	1
Douglas	3*	3	3	6*	6	7	0*	0	0	2*	2	2	1*	1	1
Dunklin	4*	4*	4	0*	0*	0	4*	4*	4	2*	1*	1	2*	1*	1
Gasconade	2*	2	2	7*	7	6	0*	0	0	2*	3	2	1*	1	1
Gentry	5*	6	7	0*	0	0	0*	0	0	1*	1	1	1*	1	1
Grundy	5*	5*	6	0*	0*	0	0*	0*	0	3*	3*	4	0*	1*	1
Harrison	5*	6*	7	0*	0*	0	1*	2*	1	0*	0*	0	1*	1*	1
Henry	4*	4*	4	0*	0*	0	3*	4*	4	1*	1*	1	1*	1*	1
Hickory	2*	2	2	6*	5	4	3*	2	0	0*	0	2	0*	0	0
Holt	2*	2*	2	5*	6*	6	0*	0*	0	0*	0*	0	1*	1*	1
Howard	2*	2*	2	5*	6*	7	1*	1*	2	1*	1*	0	1*	2*	2
Howell	1*	2*	1	4*	5*	4	2*	2*	2	1*	1*	2	1*	1*	1
Iron	2*	2	2	5*	5	6	0*	0	0	2*	2	2	1*	2	2
Knox	3*	3	3	9*	8	9	2*	3	3	0*	0	0	0*	0	1
Laclede	1*	1*	1	3*	3*	3	2*	2*	2	2*	1*	1	0*	0*	1
Lawrence	1*	1*	1	3*	3*	3	3*	3*	3	1*	1*	1	1*	1*	1
Lewis	2*	2*	2	5*	6*	5	4*	3*	2	1*	1*	1	1*	1*	1
Lincoln	1*	1	1	5*	4	5	3*	3	3	1*	1	1	1*	1	1
Linn	5*	6	6	0*	0	0	4*	5	5	2*	2	1	1*	2	1
Livingston	3*	4	0	0*	0	4	2*	3	2	1*	1	1	1*	1	1
Macon	2*	2	2	4*	5	5	2*	2	4	1*	1	1	1*	1	1
Madison	2*	2*	2	5*	5*	6	0*	0*	0	2*	2*	2	1*	1*	1
Maries	2*	2*	2	6*	6*	6	0*	0*	0	2*	2*	2	1*	1*	1

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	Treasurer			Collector			Recorder			Circuit Clerk			Associate Circuit		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Marion	1*	1*	1	5*	6*	6	2*	2*	2	0*	0*	1	2*	1*	1
McDonald	1*	2	2	4*	5	6	2*	2	2	1*	2	3	0*	1	1
Mercer	5*	5*	5	0*	0*	0	0*	0*	0	1*	2*	1	1*	1*	1
Miller	2*	2	2	5*	4	4	2*	2	2	0*	0	0	1*	1	1
Mississippi	1*	2	2	5*	5	6	1*	1	1	1*	1	1	0*	1	1
Moniteau	2*	2*	2	6*	6*	6	3*	3*	0	0*	0*	2	1*	1*	1
Monroe	2*	2	2	5*	5	6	0*	0	0	2*	3	3	1*	1	1
Montgomery	1*	2	2	3*	4	5	0*	0	0	2*	2	2	1*	0	0
Morgan	2*	1*	2	6*	5*	6	3*	3*	3	0*	0*	0	1*	1*	1
New Madrid	1*	1	1	3*	4	5	3*	4	4	1*	1	1	1*	1	0
Newton	0*	0*	1	3*	2*	3	2*	2*	2	0*	0*	0	2*	1*	1
Nodaway	3*	4*	4	0*	0*	0	3*	3*	4	1*	1*	2	1*	0*	1
Oregon	2*	2	3	5*	6	7	3*	3	3	1*	1	1	1*	1	1
Osage	2*	3	3	7*	7	7	3*	3	3	0*	0	0	1*	1	1
Ozark	2*	2	2	4*	5	4	2*	2	1	0*	0	0	1*	1	1
Pemiscot	1*	1*	2	5*	5*	5	3*	4*	4	1*	1*	1	1*	1*	1
Perry	1*	1*	1	3*	3*	3	0*	0*	0	3*	3*	2	0*	0*	0
Phelps	1*	1*	1	3*	3*	3	0*	0*	0	4*	3*	4	0*	0*	0
Pike	1*	1	1	3*	3	4	1*	1	1	0*	0	0	0*	0	1
Polk	5*	7	4	12*	14	7	9*	6	3	0*	2	1	2*	2	2
Pulaski	1*	1*	1	3*	3*	3	1*	1*	1	1*	1*	1	0*	0*	0
Putnam	6*	7*	8	0*	0*	0	0*	0*	0	4*	4*	7	2*	3*	4
Ralls	2*	2*	2	5*	5*	6	0*	0*	0	3*	3*	3	1*	1*	1
Randolph	1*	1*	1	3*	3*	3	2*	2*	2	1*	1*	1	1*	1*	0
Ray	2*	1*	2	6*	6*	7	4*	5*	5	1*	1*	1	2*	1*	2
Reynolds	3*	3	2	9*	9	8	0*	0	0	3*	3	4	1*	1	1
Ripley	3*	3*	4	12*	10*	12	6*	4*	4	0*	0*	0	3*	2*	2
St. Clair	1*	1*	1	4*	4*	4	1*	1*	1	1*	1*	1	0*	0*	0
Ste. Genevieve	1*	1*	1	3*	3*	2	3*	3*	3	0*	0*	0	0*	0*	0
Schuyler	4*	4*	4	10*	9*	10	0*	0*	0	1*	1*	1	1*	1*	1
Scotland	2*	2*	2	7*	7*	5	1*	2*	1	0*	0*	0	1*	1*	1
Scott	1*	2	2	4*	4	4	2*	3	3	1*	1	1	1*	1	1
Shannon	2*	3	2	6*	7	7	2*	2	0	1*	1	3	1*	1	1
Shelby	2*	2	2	5*	5	6	3*	3	3	0*	0	0	1*	1	1
Stoddard	4*	5*	5	0*	0*	0	3*	4*	4	1*	1*	2	1*	2*	2
Stone	2*	3*	2	6*	8*	6	4*	6*	4	0*	0*	0	0*	0*	0
Sullivan	5*	6*	6	0*	1*	0	2*	2*	2	2*	1*	1	0*	1*	2
Taney	1*	1	1	3*	3	3	3*	2	2	1*	0	0	0*	1	0
Texas	5*	4*	5	1*	1*	0	3*	3*	3	0*	0*	0	1*	1*	1
Vernon	4*	4	4	0*	0	0	3*	3	3	2*	2	1	0*	0	3
Warren	1*	1*	2	7*	7*	7	3*	3*	1	1*	1*	1	1*	2*	1
Washington	3*	2	3	7*	7	7	5*	4	4	0*	0	0	2*	2	2
Wayne	2*	2	2	5*	5	6	1*	2	2	1*	1	1	1*	1	1
Webster	2*	2*	1	5*	5*	4	2*	2*	1	1*	1*	1	1*	1*	1
Worth	4*	3	4	7*	5	7	0*	0	0	1*	1	1	1*	1	1
Wright	6*	6	6	0*	0	0	2*	2	2	1*	1	0	1*	1	1
Average	3	3	3	4	4	4	2	2	2	1	1	2	1	1	1

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	Court Administration			Public Administrator			Other			Sheriff			Jail		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Adair	0 *	0	0	3 *	2	1	17 *	14	12	6 *	12	11	0 *	13	13
Andrew	1 *	1	1	2 *	2	1	26 *	26	24	0 *	0	0	0 *	0	0
Atchison	0 *	0	0	1 *	1	0	8 *	8	7	22 *	16	17	10 *	11	9
Audrain	0 *	1	1	2 *	1	1	14 *	12	10	0 *	13	15	0 *	16	16
Barry	0 *	0 *	0	0 *	0 *	0	10 *	11 *	30	25 *	27 *	22	14 *	12 *	9
Barton	1 *	1	2	5 *	7	4	13 *	16	14	0 *	0	0	0 *	0	0
Bates	2 *	2	3	4 *	3	1	12 *	9	16	0 *	0	0	0 *	0	0
Benton	1 *	3	1	1 *	1	1	13 *	9	4	40 *	39	39	4 *	7	8
Bollinger	0 *	0	0	1 *	1	1	19 *	7	8	27 *	30	24	4 *	5	3
Butler	0 *	0 *	0	0 *	0 *	0	11 *	7 *	7	23 *	27 *	26	12 *	12 *	8
Caldwell	0 *	0	0	1 *	2	1	13 *	9	14	24 *	22	23	0 *	0	0
Carroll	4 *	4 *	0	2 *	2 *	1	0 *	0 *	4	22 *	23 *	24	12 *	10 *	9
Carter	0 *	0	0	2 *	2	1	19 *	22	14	19 *	22	20	5 *	7	8
Cedar	1 *	1	1	1 *	1	1	14 *	9	5	26 *	30	29	3 *	3	2
Chariton	0 *	0	1	1 *	1	1	5 *	5	9	27 *	27	27	7 *	6	6
Christian	2 *	2	2	2 *	1	2	9 *	13	11	0 *	0	0	0 *	0	0
Clark	1 *	1 *	1	1 *	1 *	1	13 *	15 *	4	28 *	29 *	38	9 *	13 *	12
Clinton	0 *	0	1	0 *	0	0	12 *	11	13	25 *	24	22	10 *	9	11
Cooper	2 *	2 *	2	1 *	1 *	1	14 *	16 *	10	27 *	11 *	18	1 *	8 *	0
Crawford	0 *	0 *	1	2 *	1 *	1	13 *	10 *	8	21 *	27 *	25	11 *	4 *	5
Dade	0 *	0 *	0	1 *	1 *	1	15 *	13 *	15	0 *	0 *	5	0 *	0 *	0
Dallas	1 *	1 *	1	5 *	1 *	1	8 *	7 *	6	0 *	0 *	0	0 *	0 *	0
Daviess	1 *	2 *	2	1 *	1 *	1	14 *	18 *	13	0 *	0 *	0	0 *	0 *	0
DeKalb	0 *	0	0	0 *	1	1	21 *	17	17	28 *	29	26	0 *	0	0
Dent	1 *	1	1	2 *	2	1	9 *	5	5	20 *	21	20	11 *	10	8
Douglas	3 *	2	1	3 *	2	2	10 *	12	20	21 *	20	16	5 *	6	2
Dunklin	0 *	0 *	1	0 *	0 *	1	3 *	8 *	5	19 *	17 *	21	12 *	11 *	9
Gasconade	0 *	0	0	2 *	1	1	26 *	25	20	22 *	26	22	7 *	6	6
Gentry	1 *	1	2	2 *	2	2	35 *	35	16	15 *	14	19	6 *	5	7
Grundy	4 *	1 *	1	2 *	3 *	2	7 *	6 *	8	20 *	20 *	19	9 *	10 *	11
Harrison	1 *	1 *	1	3 *	3 *	3	19 *	18 *	12	21 *	21 *	25	4 *	2 *	4
Henry	2 *	2 *	3	0 *	0 *	0	8 *	9 *	7	15 *	17 *	17	8 *	9 *	8
Hickory	1 *	1	1	1 *	1	0	10 *	9	7	36 *	32	27	5 *	4	3
Holt	0 *	0 *	0	1 *	1 *	1	11 *	14 *	13	15 *	17 *	19	9 *	8 *	7
Howard	4 *	4 *	1	1 *	1 *	1	33 *	30 *	24	0 *	0 *	0	0 *	0 *	0
Howell	0 *	1 *	1	1 *	1 *	1	29 *	22 *	24	17 *	20 *	18	5 *	5 *	5
Iron	1 *	1	1	2 *	0	1	18 *	15	9	26 *	35	31	4 *	5	3
Knox	0 *	0	1	3 *	3	3	7 *	9	8	15 *	14	14	8 *	7	7
Laclede	0 *	0 *	1	2 *	2 *	1	12 *	14 *	17	13 *	15 *	12	15 *	11 *	6
Lawrence	1 *	2 *	2	1 *	1 *	1	5 *	8 *	3	22 *	23 *	23	9 *	9 *	9
Lewis	2 *	2 *	1	2 *	2 *	1	25 *	22 *	22	15 *	13 *	13	0 *	0 *	5
Lincoln	1 *	2	2	1 *	1	1	8 *	7	11	0 *	0	0	0 *	0	0
Linn	2 *	1	1	2 *	1	1	12 *	10	7	21 *	21	20	7 *	11	13
Livingston	0 *	0	0	1 *	1	1	8 *	7	10	18 *	18	12	24 *	25	21
Macon	0 *	1	1	2 *	3	3	10 *	8	7	15 *	15	14	12 *	10	11
Madison	0 *	0 *	0	16 *	1 *	0	7 *	13 *	13	18 *	24 *	24	9 *	8 *	5
Maries	0 *	0 *	1	1 *	1 *	1	16 *	16 *	25	20 *	21 *	20	13 *	12 *	8

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	Court Administration			Public Administrator			Other			Sheriff			Jail		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Marion	1 *	1 *	1	2 *	1 *	1	9 *	10 *	10	13 *	13 *	13	35 *	36 *	35
McDonald	1 *	1	0	0 *	0	0	30 *	9	10	15 *	20	18	11 *	13	13
Mercer	0 *	0 *	0	2 *	2 *	1	11 *	12 *	13	34 *	33 *	34	2 *	3 *	4
Miller	1 *	0	0	1 *	1	1	5 *	3	4	21 *	20	18	2 *	20	17
Mississippi	0 *	1	1	1 *	1	1	19 *	11	9	15 *	15	17	11 *	10	10
Moniteau	2 *	2 *	2	2 *	2 *	1	6 *	6 *	8	17 *	21 *	20	12 *	13 *	12
Monroe	0 *	0	0	1 *	1	1	14 *	8	7	26 *	29	24	7 *	2	3
Montgomery	1 *	0	0	0 *	1	0	27 *	22	23	19 *	24	25	21 *	12	9
Morgan	0 *	0 *	1	2 *	1 *	1	25 *	19 *	14	0 *	25 *	22	0 *	4 *	5
New Madrid	1 *	2	2	1 *	1	1	9 *	8	11	22 *	22	22	12 *	16	13
Newton	1 *	1 *	2	0 *	0 *	0	21 *	23 *	17	22 *	20 *	23	11 *	9 *	11
Nodaway	0 *	0 *	0	2 *	3 *	0	9 *	8 *	8	14 *	15 *	17	10 *	10 *	11
Oregon	0 *	0	0	2 *	2	1	18 *	14	13	21 *	23	21	4 *	2	3
Osage	0 *	0	0	0 *	1	1	6 *	5	7	28 *	28	30	4 *	4	3
Ozark	0 *	0	1	2 *	1	1	17 *	15	10	21 *	23	23	12 *	10	12
Pemiscot	0 *	0 *	0	1 *	1 *	1	11 *	13 *	10	25 *	23 *	23	10 *	10 *	9
Perry	1 *	2 *	2	1 *	1 *	1	26 *	25 *	17	15 *	17 *	23	9 *	10 *	11
Phelps	4 *	3 *	3	1 *	1 *	1	3 *	3 *	3	24 *	23 *	0	0 *	0 *	26
Pike	1 *	1	1	0 *	0	0	12 *	14	16	0 *	0	0	0 *	0	0
Polk	1 *	1	1	4 *	6	2	10 *	11	9	0 *	0	0	0 *	0	0
Pulaski	2 *	2 *	2	2 *	1 *	1	16 *	12 *	27	22 *	22 *	22	1 *	0 *	1
Putnam	0 *	0 *	0	2 *	3 *	1	26 *	25 *	15	0 *	0 *	0	0 *	0 *	0
Ralls	1 *	1 *	1	1 *	1 *	1	10 *	10 *	10	32 *	35 *	27	0 *	0 *	0
Randolph	0 *	0 *	1	2 *	1 *	3	8 *	15 *	20	18 *	19 *	18	23 *	15 *	11
Ray	1 *	1 *	1	2 *	2 *	1	8 *	11 *	11	17 *	16 *	16	23 *	19 *	20
Reynolds	1 *	0	0	1 *	1	1	11 *	10	11	29 *	30	26	1 *	1	1
Ripley	2 *	2 *	1	3 *	3 *	2	18 *	13 *	11	0 *	0 *	0	0 *	0 *	0
St. Clair	1 *	1 *	1	1 *	2 *	2	3 *	1 *	5	11 *	12 *	12	34 *	38 *	43
Ste. Genevieve	0 *	0 *	0	1 *	0 *	0	13 *	12 *	9	18 *	17 *	15	44 *	47 *	45
Schuyler	1 *	3 *	1	2 *	2 *	1	10 *	11 *	11	0 *	0 *	0	0 *	0 *	0
Scotland	1 *	1 *	1	1 *	1 *	1	5 *	8 *	2	34 *	32 *	25	0 *	0 *	0
Scott	1 *	1	1	1 *	1	1	15 *	9	7	16 *	18	17	16 *	17	12
Shannon	0 *	1	1	2 *	2	1	9 *	10	8	26 *	21	22	5 *	3	2
Shelby	0 *	0	0	1 *	2	1	10 *	8	10	22 *	22	17	11 *	12	11
Stoddard	0 *	0 *	1	1 *	1 *	0	7 *	11 *	9	23 *	27 *	26	0 *	0 *	0
Stone	8 *	5 *	2	3 *	2 *	2	18 *	18 *	15	0 *	0 *	0	0 *	0 *	0
Sullivan	2 *	1 *	1	2 *	3 *	1	4 *	7 *	7	21 *	29 *	29	8 *	5 *	7
Taney	0 *	0	0	1 *	1	0	25 *	21	35	21 *	20	19	6 *	6	6
Texas	3 *	3 *	3	1 *	1 *	1	7 *	11 *	9	14 *	20 *	18	14 *	12 *	9
Vernon	1 *	1	1	2 *	3	2	7 *	6	8	19 *	22	19	11 *	11	11
Warren	0 *	0 *	0	1 *	1 *	1	10 *	8 *	12	0 *	0 *	0	0 *	0 *	0
Washington	0 *	1	1	2 *	2	1	26 *	29	36	0 *	0	0	0 *	0	0
Wayne	0 *	1	1	1 *	1	1	14 *	11	7	23 *	27	29	0 *	0	0
Webster	0 *	0 *	1	2 *	1 *	1	22 *	21 *	10	30 *	32 *	20	0 *	0 *	0
Worth	0 *	0	2	2 *	1	1	11 *	43	25	10 *	9	10	4 *	1	2
Wright	1 *	1	1	1 *	2	1	8 *	7	14	22 *	22	22	4 *	4	4
Average	1	1	1	2	1	1	12	12	12	17	18	17	7	7	7

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	Prosecuting Attorney			Juvenile Officer			Coroner			Health and Welfare			Operating Transfers		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Adair	9 *	7	7	12 *	18	15	1 *	0	0	0 *	0	0	5 *	0	4
Andrew	8 *	7	8	3 *	4	3	1 *	1	1	1 *	0	0	4 *	6	6
Atchison	13 *	15	15	2 *	3	3	1 *	1	0	0 *	0	0	0 *	0	0
Audrain	11 *	9	9	17 *	12	12	1 *	0	1	0 *	3	3	18 *	0	0
Barry	7 *	6 *	5	7 *	7 *	4	1 *	1 *	1	0 *	0 *	0	0 *	5 *	0
Barton	8 *	10	9	5 *	5	5	0 *	0	1	1 *	1	1	3 *	6	5
Bates	0 *	0	0	0 *	0	0	0 *	0	0	1 *	0	0	1 *	1	3
Benton	6 *	6	6	4 *	4	4	1 *	0	1	0 *	0	0	2 *	2	4
Bollinger	6 *	7	7	7 *	9	9	1 *	1	1	0 *	0	0	0 *	3	3
Butler	9 *	9 *	10	9 *	9 *	9	1 *	1 *	1	1 *	1 *	1	0 *	0 *	1
Caldwell	8 *	9	9	2 *	2	3	1 *	1	1	0 *	0	0	6 *	7	3
Carroll	6 *	6 *	7	4 *	4 *	4	1 *	1 *	1	0 *	0 *	0	1 *	1 *	2
Carter	6 *	7	7	4 *	3	4	1 *	1	1	0 *	0	0	19 *	10	8
Cedar	6 *	5	6	4 *	4	4	1 *	1	1	0 *	10	14	1 *	1	1
Charlton	3 *	4	5	4 *	4	5	1 *	1	1	0 *	0	0	13 *	15	0
Christian	12 *	9	10	7 *	6	6	1 *	1	1	0 *	0	0	19 *	22	21
Clark	6 *	6 *	6	5 *	4 *	5	1 *	1 *	1	0 *	0 *	0	0 *	0 *	0
Clinton	5 *	6	6	2 *	2	2	1 *	1	1	0 *	0	0	1 *	2	1
Cooper	5 *	5 *	9	3 *	3 *	4	1 *	1 *	1	9 *	8 *	9	3 *	3 *	0
Crawford	5 *	10 *	10	4 *	4 *	4	1 *	1 *	1	13 *	13 *	12	0 *	0 *	0
Dade	0 *	0 *	0	0 *	0 *	0	0 *	0 *	0	0 *	0 *	0	24 *	24 *	13
Dallas	8 *	6 *	7	15 *	9 *	34	1 *	1 *	1	0 *	0 *	0	5 *	13 *	7
Daviess	10 *	13 *	11	3 *	3 *	3	1 *	2 *	2	0 *	0 *	0	23 *	7 *	6
DeKalb	6 *	7	6	2 *	2	2	1 *	1	1	0 *	0	0	4 *	1	7
Dent	9 *	8	8	5 *	5	4	1 *	1	1	0 *	0	0	0 *	1	2
Douglas	10 *	10	10	4 *	5	4	1 *	1	1	0 *	0	0	3 *	5	3
Dunklin	8 *	7 *	12	8 *	7 *	5	1 *	1 *	1	1 *	0 *	0	0 *	5 *	6
Gasconade	6 *	6	6	3 *	3	3	1 *	1	0	0 *	0	0	0 *	1	12
Gentry	5 *	6	7	2 *	2	2	1 *	1	1	1 *	1	1	2 *	1	2
Grundy	6 *	6 *	7	12 *	12 *	6	1 *	1 *	0	0 *	0 *	0	2 *	4 *	3
Harrison	6 *	6 *	9	5 *	5 *	4	1 *	1 *	0	0 *	0 *	0	4 *	5 *	1
Henry	6 *	6 *	6	22 *	17 *	13	1 *	1 *	1	0 *	0 *	0	7 *	8 *	7
Hickory	5 *	5	4	2 *	3	2	1 *	1	0	0 *	0	0	4 *	6	3
Holt	6 *	6 *	7	5 *	6 *	6	1 *	1 *	0	8 *	9 *	9	3 *	1 *	1
Howard	6 *	8 *	6	9 *	12 *	8	1 *	1 *	1	15 *	11 *	10	0 *	0 *	14
Howell	5 *	5 *	6	7 *	7 *	7	1 *	1 *	1	1 *	1 *	2	3 *	3 *	2
Iron	6 *	5	7	4 *	3	4	1 *	1	1	0 *	0	0	0 *	0	0
Knox	8 *	8	9	8 *	10	9	1 *	1	0	0 *	0	0	2 *	2	3
Laclede	6 *	7 *	6	6 *	5 *	4	0 *	1 *	1	0 *	0 *	0	3 *	13 *	22
Lawrence	7 *	7 *	10	5 *	4 *	4	1 *	1 *	1	13 *	13 *	13	0 *	0 *	0
Lewis	5 *	5 *	6	10 *	11 *	9	0 *	1 *	1	0 *	1 *	1	2 *	3 *	3
Lincoln	6 *	5	5	5 *	5	4	1 *	1	1	25 *	25	26	21 *	19	13
Linn	6 *	6	7	8 *	9	7	1 *	1	1	0 *	0	0	0 *	0	0
Livingston	4 *	4	4	4 *	4	2	1 *	1	1	0 *	0	0	2 *	1	1
Macon	7 *	8	7	10 *	10	10	1 *	1	0	1 *	1	1	1 *	1	1
Madison	4 *	5 *	5	6 *	7 *	7	1 *	1 *	1	0 *	0 *	0	0 *	3 *	3
Maries	5 *	5 *	5	3 *	4 *	2	1 *	1 *	1	1 *	1 *	1	0 *	0 *	6

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.

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Schedule 4

MISSOURI 3RD CLASS COUNTIES
PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
GENERAL REVENUE FUND

	Prosecuting Attorney			Juvenile Officer			Coroner			Health and Welfare			Operating Transfers		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
County	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Marion	7*	6*	6	7*	6*	6	1*	1*	1	0*	0*	0	1*	3*	0
McDonald	8*	10	11	2*	3	3	1*	1	1	0*	0	0	3*	5	3
Mercer	8*	8*	8	3*	3*	2	1*	1*	0	0*	0*	0	0*	0*	0
Miller	6*	6	5	8*	5	5	1*	1	1	14*	11	10	0*	1	1
Mississippi	6*	5	6	5*	6	7	1*	1	1	2*	1	2	4*	11	3
Moniteau	8*	8*	10	7*	7*	6	1*	1*	0	0*	0*	0	1*	1*	0
Monroe	5*	6	6	5*	5	6	1*	1	1	0*	0	0	0*	7	8
Montgomery	5*	7	7	6*	6	7	0*	1	1	0*	0	0	0*	2	2
Morgan	8*	7*	7	5*	5*	7	1*	1*	0	0*	0*	0	27*	10*	12
New Madrid	6*	6	6	4*	3	2	1*	1	1	0*	0	0	2*	1	2
Newton	6*	5*	6	3*	2*	2	0*	0*	0	0*	0*	0	7*	17*	9
Nodaway	5*	6*	7	6*	5*	5	1*	1*	1	0*	0*	0	16*	18*	15
Oregon	7*	7	7	5*	5	6	1*	1	1	0*	0	0	3*	3	3
Osage	10*	9	10	4*	5	4	1*	1	1	2*	2	0	1*	1	1
Ozark	5*	6	5	3*	3	3	1*	1	1	0*	0	0	3*	3	3
Pemiscot	8*	8*	9	4*	4*	4	1*	1*	1	0*	0*	0	0*	0*	0
Perry	4*	4*	4	6*	6*	6	1*	0*	0	0*	0*	0	4*	3*	5
Phelps	6*	6*	7	13*	13*	12	0*	0*	1	2*	1*	0	12*	19*	5
Pike	5*	4	5	3*	2	2	0*	0	0	42*	46	47	12*	9	0
Polk	0*	0	0	0*	3	0	0*	0	0	0*	0	0	6*	4	1
Pulaski	7*	5*	6	7*	5*	6	1*	0*	1	0*	0*	0	18*	33*	9
Putnam	12*	13*	14	6*	5*	5	1*	1*	1	0*	0*	0	0*	0*	2
Ralls	5*	5*	6	4*	4*	5	1*	1*	1	0*	0*	0	4*	3*	5
Randolph	8*	7*	7	13*	14*	14	0*	0*	0	0*	0*	0	0*	0*	0
Ray	8*	9*	9	4*	4*	3	1*	1*	1	0*	0*	0	0*	0*	0
Reynolds	8*	9	7	4*	4	3	1*	1	1	0*	0	0	0*	1	6
Ripley	0*	0*	3	0*	0*	0	0*	0*	0	0*	0*	2	22*	22*	24
St. Clair	4*	4*	4	3*	3*	3	0*	1*	0	0*	0*	0	1*	1*	1
Ste. Genevieve	3*	3*	3	3*	3*	3	1*	1*	1	0*	0*	0	1*	1*	8
Schuyler	0*	0*	0	0*	0*	0	0*	0*	0	1*	1*	1	32*	31*	29
Scotland	8*	8*	5	8*	7*	3	1*	0*	1	0*	0*	0	0*	1*	1
Scott	5*	8	8	8*	9	9	1*	1	1	0*	0	0	0*	0	5
Shannon	6*	8	8	6*	7	7	1*	1	0	0*	0	0	2*	0	5
Shelby	6*	7	7	6*	6	5	1*	1	1	0*	0	0	4*	2	2
Stoddard	4*	6*	6	11*	13*	13	0*	1*	1	0*	0*	0	21*	0*	0
Stone	0*	0*	0	0*	0*	0	0*	0*	0	0*	0*	0	35*	31*	44
Sullivan	5*	6*	6	4*	4*	4	1*	1*	0	0*	0*	0	0*	1*	0
Taney	8*	8	6	2*	2	2	0*	0	0	0*	0	0	2*	2	2
Texas	7*	6*	7	6*	5*	6	1*	1*	1	0*	0*	0	4*	3*	1
Vernon	6*	7	6	15*	14	14	1*	1	0	0*	0	0	3*	0	1
Warren	10*	11*	11	9*	8*	9	1*	1*	1	6*	7*	12	21*	29*	26
Washington	11*	11	9	8*	8	8	1*	2	1	0*	0	0	12*	11	9
Wayne	5*	8	8	4*	4	4	0*	1	1	0*	0	0	3*	5	3
Webster	6*	6*	4	3*	5*	4	1*	1*	0	0*	0*	0	4*	3*	2
Worth	12*	8	10	2*	1	1	1*	1	0	2*	0	1	8*	4	5
Wright	7*	9	9	11*	10	9	1*	1	1	2*	0	0	4*	5	1
Average	6	7	7	6	6	5	1	1	1	2	2	2	6	6	5

* Unaudited (see Note2).

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 5

MISSOURI 3RD CLASS COUNTIES
ASSESSMENT FUND
DISBURSEMENTS AND PARCEL COUNTS

County	PARCEL COUNT	Year Ended December 31, 1998	1997	1996
Adair	13,660 *	$ 197,627 *	149,583	161,864
Andrew	9,751 *	169,930 *	177,610	146,846
Atchison	6,036 *	100,218 *	100,753	91,354
Audrain	14,522 *	216,750 *	171,487	174,395
Barry	23,826 *	264,687 *	231,912 *	211,368
Barton	7,802 *	129,529 *	125,556	121,252
Bates	12,179 *	143,194 *	154,575	119,649
Benton	30,117 *	181,399 *	200,024	183,411
Bollinger	9,610 *	90,456 *	85,632	79,676
Butler	25,308 *	248,890 *	224,957 *	257,740
Caldwell	7,935 *	165,809 *	173,701	111,790
Carroll	9,316 *	134,956 *	123,361 *	116,834
Carter	6,414 *	72,045 *	69,626	71,513
Cedar	10,233 *	89,073 *	83,889	76,253
Chariton	11,611 *	120,028 *	110,336	105,746
Christian	25,058 *	347,561 *	349,646	305,129
Clark	6,946 *	65,762 *	64,663 *	65,509
Clinton	11,516 *	169,273 *	159,210	186,044
Cooper	10,425 *	135,340 *	160,175 *	129,195
Crawford	16,389 *	123,931 *	115,144 *	124,999
Dade	6,391 *	84,820 *	75,474 *	70,608
Dallas	11,228 *	147,223 *	161,822 *	106,025
Daviess	10,039 *	123,073 *	103,049 *	103,133
DeKalb	6,349 *	132,318 *	150,069	86,534
Dent	10,678 *	117,741 *	116,877	107,862
Douglas	9,898 *	104,110 *	128,151	114,276
Dunklin	20,506 *	198,019 *	214,478 *	231,950
Gasconade	13,851 *	154,721 *	136,324	120,105
Gentry	6,972 *	89,164 *	75,929	78,740
Grundy	9,097 *	118,151 *	120,054 *	116,789
Harrison	9,449 *	115,793 *	91,855 *	95,993
Henry	14,681 *	200,836 *	212,828 *	176,579
Hickory	10,681 *	78,173 *	137,304	92,789
Holt	6,648 *	85,767 *	75,532 *	81,501
Howard	7,472 *	108,668 *	98,970 *	119,929
Howell	19,819 *	269,008 *	266,553 *	232,760
Iron	11,425 *	125,200 *	135,260	162,764
Knox	5,365 *	67,915 *	82,061	59,757
Laclede	18,727 *	219,113 *	245,751 *	201,902
Lawrence	17,790 *	173,873 *	162,544 *	148,360
Lewis	7,983 *	118,229 *	96,463 *	124,192
Lincoln	21,039 *	297,200 *	263,302	249,139
Linn	10,398 *	135,701 *	103,691	103,161
Livingston	9,593 *	175,070 *	137,322	137,657
Macon	12,880 *	159,408 *	144,379	137,775
Madison	9,527 *	99,697 *	109,687 *	108,444
Maries	6,806 *	$ 89,928 *	86,021 *	86,642

* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.
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Schedule 5

MISSOURI 3RD CLASS COUNTIES
ASSESSMENT FUND
DISBURSEMENTS AND PARCEL COUNTS

County	PARCEL COUNT	Year Ended December 31, 1998	1997	1996
Marion	14,712 *	$ 240,550 *	268,250 *	247,749
McDonald	12,517 *	168,397 *	180,393	146,538
Mercer	5,216 *	73,644 *	66,944 *	61,062
Miller	18,452 *	163,614 *	163,232	193,630
Mississippi	8,763 *	121,860 *	124,269	108,226
Moniteau	8,668 *	110,684 *	107,513 *	91,870
Monroe	8,226 *	105,517 *	97,495	79,211
Montgomery	10,664 *	117,147 *	124,239	133,174
Morgan	25,248 *	279,038 *	266,472 *	256,363
New Madrid	14,004 *	257,233 *	252,901	231,530
Newton	26,144 *	375,894 *	348,614 *	308,545
Nodaway	13,148 *	257,013 *	219,514 *	161,497
Oregon	8,346 *	98,305 *	96,906	89,403
Osage	10,129 *	104,461 *	102,008	85,029
Ozark	11,309 *	116,031 *	106,062	83,432
Pemiscot	13,152 *	142,796 *	135,296 *	112,223
Perry	12,974 *	148,606 *	146,921 *	140,260
Phelps	20,265 *	286,017 *	268,803 *	258,803
Pike	11,920 *	191,088 *	177,832	169,427
Polk	14,469 *	147,769 *	134,841	129,394
Pulaski	14,418 *	169,899 *	132,728 *	109,175
Putnam	6,612 *	81,913 *	76,839 *	61,430
Ralls	7,842 *	159,433 *	152,229 *	141,294
Randolph	13,122 *	230,304 *	222,371 *	189,711
Ray	14,639 *	201,039 *	173,164 *	216,811
Reynolds	9,614 *	86,192 *	92,534	89,227
Ripley	9,654 *	155,097 *	85,309 *	73,961
St. Clair	11,577 *	101,113 *	103,301 *	80,394
Ste. Genevieve	17,672 *	183,018 *	160,372 *	147,274
Schuyler	4,002 *	45,001 *	39,781 *	40,588
Scotland	5,082 *	58,817 *	66,332 *	65,177
Scott	20,213 *	269,366 *	245,080	254,499
Shannon	7,851 *	78,728 *	62,978	49,369
Shelby	6,271 *	98,902 *	87,676	89,427
Stoddard	17,915 *	222,283 *	197,505 *	240,461
Stone	28,406 *	376,257 *	353,767 *	341,845
Sullivan	6,949 *	100,396 *	87,787 *	81,974
Taney	36,478 *	476,563 *	495,320	503,078
Texas	15,901 *	159,000 *	155,448 *	116,484
Vernon	13,253 *	221,195 *	165,571	135,432
Warren	19,963 *	245,938 *	269,573 *	264,618
Washington	24,627 *	195,275 *	173,523	154,996
Wayne	13,851 *	132,622 *	126,034	116,988
Webster	14,748 *	221,144 *	216,212 *	192,535
Worth	2,989 *	43,113 *	44,168	43,502
Wright	11,066 *	123,260 *	148,009	131,305
Average	12,871	$ 160,182	153,610	143,170

* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 6

MISSOURI 3RD CLASS COUNTIES
OTHER MAJOR COUNTY FUNDS
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCE
TWO YEARS ENDED DECEMBER 31, 1998

	December 31,							
	1998				1997			
County	Fund Type	Receipts	Disbursements	Cash Balance	Fund Type	Receipts	Disbursements	Cash Balance
Adair	b	$ 1,206,557 *	1,212,651 *	45,620 *	b	316,349	264,645	51,714
Andrew	a,b	523,497 *	391,616 *	418,246 *	a,b	518,363	420,628	286,365
Atchison	a,c	356,886 *	347,692 *	305,599 *	a,c	419,459	379,516	296,405
Audrain	b,c	1,941,486 *	2,128,315 *	286,839 *	b,c	1,337,948	1,671,577	473,668
Barry		0 *	0 *	0 *		0 *	0 *	0 *
Barton	b	475,638 *	532,385 *	180,653 *	b	463,132	433,761	237,400
Bates	b	622,308 *	672,531 *	47,852 *	b	594,471	582,827	98,075
Benton	a	595,946 *	448,942 *	722,864 *	a	572,105	576,444	575,860
Bollinger		0 *	0 *	0 *		0	0	0
Butler	b,c	2,399,817 *	2,404,787 *	1,391,601 *	b,c	2,327,244 *	2,431,815 *	1,396,571 *
Caldwell	b,c	347,418 *	344,649 *	117,261 *	b,c	366,739	387,072	114,492
Carroll		0 *	0 *	0 *		0 *	0 *	0 *
Carter		0 *	0 *	0 *		0	0	0
Cedar		0 *	0 *	0 *		0	0	0
Chariton	b	393,097 *	140,231 *	597,954 *	b	375,897	174,317	345,088
Christian	b,c	1,399,852 *	1,395,252 *	11,505 *	b,c	4,233,227	4,246,017	6,905
Clark	a,c	343,010 *	330,796 *	89,547 *	a,c	345,797 *	338,080 *	77,333 *
Clinton	a	791,007 *	717,142 *	91,287 *	a	457,452	634,081	17,422
Cooper	c	551,909 *	748,807 *	198,572 *	c	666,492 *	598,996 *	395,470 *
Crawford	a	100,594 *	65,649 *	97,646 *	a	99,722 *	71,465 *	62,701 *
Dade	b	394,842 *	380,953 *	26,991 *	b	389,604 *	380,500 *	13,102 *
Dallas	a,b	1,157,532 *	1,199,050 *	153,323 *	a,b	1,108,441 *	958,388 *	194,841 *
Daviess	b	288,127 *	299,886 *	18,313 *	b	302,872 *	280,687 *	30,072 *
Dekalb	a	571,548 *	518,240 *	374,664 *	a	459,482	311,792	321,356
Dent		0 *	0 *	0 *		0	0	0
Douglas		0 *	0 *	0 *		0	0	0
Dunklin		0 *	0 *	0 *		0 *	0 *	0 *
Gasconade		0 *	0 *	0 *		0	0	0
Gentry		0 *	0 *	0 *		0	0	0
Grundy		0 *	0 *	0 *		0 *	0 *	0 *
Harrison		0 *	0 *	0 *		0 *	0 *	0 *
Henry		0 *	0 *	0 *		0 *	0 *	0 *
Hickory		0 *	0 *	0 *	b	190,655	190,655	0
Holt		0 *	0 *	0 *		0 *	0 *	0 *
Howard	b	341,471 *	341,318 *	1,518 *	b	309,872 *	309,078 *	1,365 *
Howell		0 *	0 *	0 *		0 *	0 *	0 *
Iron		0 *	0 *	0 *		0	0	0
Knox		0 *	0 *	0 *		0	0	0
Laclede	b	1,690,472 *	1,547,421 *	579,949 *	b	1,429,454 *	1,615,883 *	436,898 *
Lawrence		0 *	0 *	0 *		0 *	0 *	0 *
Lewis	a,b	392,791 *	370,686 *	50,238 *	a,b	711,513 *	740,296 *	28,133 *
Lincoln	a,b	3,338,175 *	2,971,335 *	516,560 *	a,b	2,823,782	2,834,516	149,720
Linn		0 *	0 *	0 *		0	0	0
Livingston		0 *	0 *	0 *		0	0	0
Macon	c	693,073 *	810,961 *	98,754 *	c	701,092	647,558	216,642
Madison	a	462,596 *	446,304 *	16,659 *	a	445,038 *	484,280 *	367 *
Maries	a	$ 591,473 *	657,385 *	854 *	a	111,748 *	44,982 *	66,766 *

Legend
a - Capital Improvement Sales Tax Fund
b - Law Enforcement Sales Tax Fund
c - Road and Bridge Sales Tax Fund

* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.

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Schedule 6

MISSOURI 3RD CLASS COUNTIES
OTHER MAJOR COUNTY FUNDS
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCE
TWO YEARS ENDED DECEMBER 31, 1998

	December 31,							
	1998				1997			
County	Fund Type	Receipts	Disbursements	Cash Balance	Fund Type	Receipts	Disbursements	Cash Balance
Marion	a,c	$ 2,228,696 *	2,174,460 *	1,365,662 *	a,c	2,306,921 *	1,601,770 *	1,311,426 *
McDonald	a	0 *	0 *	145,979 *	a	7,036	122,417	145,979
Mercer		0 *	0 *	0 *		0 *	0 *	0 *
Miller	a	1,120,424 *	1,151,758 *	603,576 *	a	913,911	309,284	634,910
Mississippi	a,b	745,985 *	329,232 *	617,684 *	a	315,578	114,647	200,931
Moniteau		0 *	0 *	0 *		0 *	0 *	0 *
Monroe		0 *	0 *	0 *		0	0	0
Montgomery	a	488,542 *	333,412 *	269,984 *	a	379,628	395,237	114,854
Morgan		0 *	0 *	0 *		0 *	0 *	0 *
New Madrid		0 *	0 *	0 *		0	0	0
Newton		0 *	0 *	0 *		0 *	0 *	0 *
Nodaway		0 *	0 *	0 *		0 *	0 *	0 *
Oregon		0 *	0 *	0 *		0	0	0
Osage		0 *	0 *	0 *		0	0	0
Ozark	a	216,192 *	270,594 *	110,254 *	a	210,705	180,555	164,656
Pemiscot	a,b	712,002 *	275,302 *	436,700 *		0 *	0 *	0 *
Perry		0 *	0 *	0 *		0 *	0 *	0 *
Phelps		0 *	0 *	0 *		0 *	0 *	0 *
Pike	b	1,064,347 *	1,007,579 *	56,165 *	b	948,103	967,887	-603
Polk	b,c	2,053,105 *	1,419,471 *	1,399,799 *	b,c	1,938,530	1,827,773	766,165
Pulaski	a,c	1,057,191 *	928,568 *	2,217,857 *	a,c	2,989,826 *	2,533,276 *	2,089,234 *
Putnam	b	224,480 *	207,723 *	24,385 *	b	215,266 *	249,421 *	7,628 *
Ralls		0 *	0 *	0 *		0 *	0 *	0 *
Randolph		0 *	0 *	0 *		0 *	0 *	0 *
Ray	c	597,281 *	423,627 *	302,441 *	c	864,206 *	1,122,935 *	128,787 *
Reynolds		0 *	0 *	0 *		0	0	0
Ripley	b	463,556 *	475,917 *	1,448 *	b	441,831 *	495,708 *	13,809 *
St. Clair		0 *	0 *	0 *		0 *	0 *	0 *
Ste. Genevieve	a	296,390 *	144,614 *	1,503,017 *	a	625,863 *	141,753 *	1,351,241 *
Schuyler	b,c	322,831 *	308,973 *	129,460 *	b,c	310,681 *	312,830 *	115,602 *
Scotland		0 *	0 *	0 *		0 *	0 *	0 *
Scott		0 *	0 *	0 *		0	0	0
Shannon		0 *	0 *	0 *		0	0	0
Shelby		0 *	0 *	0 *		0	0	0
Stoddard		0 *	0 *	0 *		0 *	0 *	0 *
Stone	b	1,983,793 *	1,852,075 *	99,913 *	b	1,767,651 *	1,830,768 *	-31,805 *
Sullivan		0 *	0 *	0 *		0 *	0 *	0 *
Taney	a,c	11,902,469 *	9,936,954 *	9,056,592 *	a,c	16,369,743	12,947,989	7,091,077
Texas		0 *	0 *	0 *		0 *	0 *	0 *
Vernon		0 *	0 *	0 *		0	0	0
Warren	a,b	3,109,856 *	3,049,232 *	720,233 *	a,b	2,335,290 *	2,067,388 *	659,609 *
Washington	a,b	1,485,448 *	1,146,612 *	695,176 *	a,b	1,466,941	1,300,811	356,340
Wayne		0 *	0 *	0 *		0	0	0
Webster	a	859,304 *	803,759 *	114,815 *	a	787,122 *	815,300 *	59,270 *
Worth	a,b	65,218 *	59,994 *	104,834 *	a,b	88,482	58,610	99,610
Wright		$ 0 *	0 *	0 *		0	0	0

Legend
a - Capital Improvement Sales Tax Fund
b - Law Enforcement Sales Tax Fund
c - Road and Bridge Sales Tax Fund

* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.

Schedule 7

MISSOURI 3RD CLASS COUNTIES
ASSESSED VALUATION AND TAX LEVIES
TWO YEARS ENDED DECEMBER 31, 1998

			Tax Levies															
	Assessed Valuation		General Revenue		Special Road and Bridge		Health Center		Hospital		Senate Bill 40		Senior Services		Johnson Grass		Other	
County	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Adair	$ 180,703,140	175,152,161	0	0	25	24	20	19	0	0	0	0	0	0	0	0	0	0
Andrew	120,287,889	117,397,990	19	20	51	51	10	10	0	0	9	9	0	0	3	3	0	0
Atchison	72,139,797	69,630,603	48	48	48	48	5	5	0	0	10	10	0	0	0	0	0	0
Audrain	230,084,213	221,874,192	15	15	27	27	0	0	17	17	20	20	0	0	0	0	0	0
Barry	248,898,209	237,603,402	0	0	0	0	7	7	0	0	7	7	0	0	0	0	0	0
Barton	109,748,815	103,305,702	5	5	0	0	8	7	9	8	0	0	0	0	0	0	0	0
Bates	137,677,363	133,285,953	26	25	0	0	8	7	0	0	7	0	0	0	0	0	0	0
Benton	137,586,079	133,179,294	14	14	21	21	40	14	0	0	0	0	0	0	0	0	0	0
Bollinger	75,332,162	73,685,016	19	17	25	24	24	23	0	0	10	10	0	0	0	0	0	0
Butler	310,077,631	294,329,064	11	11	4	4	10	10	0	0	5	10	5	5	0	0	0	0
Caldwell	68,071,348	64,868,265	25	24	0	0	15	15	0	0	0	0	0	0	0	0	0	0
Carroll	106,393,380	103,681,856	27	25	0	0	10	10	0	0	10	10	0	0	0	0	0	0
Carter	28,173,992	26,975,602	5	4	23	23	25	25	0	0	8	8	3	3	0	0	0	0
Cedar	92,056,738	87,899,593	10	12	24	23	0	0	15	14	0	0	0	0	0	0	0	0
Chariton	94,768,227	93,160,051	28	28	0	0	10	10	0	0	5	5	0	0	0	0	0	0
Christian	353,939,761	330,675,117	0	7	0	0	5	5	0	0	9	9	0	0	0	0	0	0
Clark	65,224,785	63,802,426	36	37	70	70	10	10	0	0	0	0	0	0	0	0	0	0
Clinton	148,520,299	140,858,015	19	23	64	64	9	9	0	0	9	9	0	0	0	0	0	0
Cooper	125,847,779	120,624,112	21	10	31	31	0	0	15	15	10	10	0	0	0	0	0	0
Crawford	147,317,024	142,289,140	8	5	22	22	0	0	0	0	10	10	0	0	0	0	0	0
Dade	63,626,302	62,808,062	9	7	0	0	10	8	0	0	0	0	0	0	0	0	0	0
Dallas	88,400,454	84,267,041	1	1	26	26	10	10	0	0	0	0	0	0	0	0	0	0
Daviess	63,293,629	61,873,080	30	30	0	0	10	10	0	0	10	0	0	0	0	0	0	0
DeKalb	71,138,046	67,327,840	5	5	0	0	0	0	0	0	9	9	0	0	0	0	0	0
Dent	98,116,671	95,871,652	35	35	26	26	10	9	0	0	15	15	5	4	0	0	0	0
Douglas	75,125,577	73,495,866	9	10	21	20	20	20	0	0	8	7	0	0	0	0	0	0
Dunklin	218,876,337	209,706,776	10	26	0	0	10	10	0	0	8	8	0	0	0	0	0	0
Gasconade	134,717,650	128,614,458	14	15	27	26	10	10	0	0	10	10	0	0	0	0	10	10
Gentry	55,305,785	53,028,679	49	49	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grundy	77,298,732	76,725,799	11	10	0	0	15	14	0	0	10	10	0	0	0	0	0	0
Harrison	70,760,886	68,014,878	35	35	0	0	14	14	0	0	0	0	0	0	0	0	0	0
Henry	200,429,479	193,688,869	4	0	0	0	10	10	0	0	0	0	0	0	0	0	0	0
Hickory	62,486,569	60,709,798	18	19	26	26	8	8	0	0	0	0	0	0	0	0	0	0
Holt	62,394,620	57,486,331	32	34	45	45	0	0	0	0	0	0	0	0	5	3	0	0
Howard	74,106,840	72,065,223	25	24	27	26	0	0	0	0	10	10	0	0	0	0	0	0
Howell	230,913,454	219,909,269	0	0	0	0	0	0	0	0	5	5	0	0	0	0	0	0
Iron	151,165,186	148,195,468	28	24	0	0	10	10	0	0	10	10	0	0	0	0	0	0
Knox	48,151,390	44,947,845	27	26	62	62	10	10	0	0	0	0	0	0	0	0	0	0
Laclede	255,521,779	234,200,796	6	7	0	0	10	10	0	0	12	8	0	0	0	0	0	0
Lawrence	256,098,223	245,094,240	9	10	48	48	0	0	0	0	7	7	5	5	0	0	0	0
Lewis	75,443,435	71,989,441	25	25	48	48	10	10	0	0	0	0	0	0	0	0	0	0
Lincoln	304,483,881	272,372,979	14	12	26	26	0	0	17	17	10	10	0	0	0	0	0	0
Linn	96,749,755	91,342,586	8	8	0	0	23	20	0	0	19	19	0	0	0	0	0	0
Livingston	116,422,113	115,764,294	0	0	0	0	24	23	0	0	10	10	0	0	0	0	0	0
Macon	114,163,068	114,480,608	22	20	67	65	15	15	20	20	10	10	0	0	0	0	3	3
Madison	69,521,108	68,184,378	18	8	27	27	10	9	18	16	18	16	0	0	0	0	0	0
Maries	$ 69,947,720	68,270,079	32	34	48	46	0	0	0	0	0	0	0	0	0	0	0	0

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Schedule 7

MISSOURI 3RD CLASS COUNTIES
ASSESSED VALUATION AND TAX LEVIES
TWO YEARS ENDED DECEMBER 31, 1998

			Tax Levies															
	Assessed Valuation		General Revenue		Special Road and Bridge		Health Center		Hospital		Senate Bill 40		Senior Services		Johnson Grass		Other	
County	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Marion	$ 222,347,712	207,067,318	2	2	30	27	15	15	0	0	14	14	0	0	0	0	0	0
McDonald	137,944,763	131,046,341	22	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mercer	48,372,597	48,185,755	29	28	0	15	10	10	0	0	0	0	0	0	0	0	0	0
Miller	242,872,165	231,189,857	6	4	22	22	0	0	0	0	8	8	5	5	0	0	0	0
Mississippi	105,969,043	102,571,258	20	20	32	32	3	6	0	0	10	10	0	0	5	5	0	0
Moniteau	110,769,312	106,903,373	17	18	25	25	15	15	0	0	0	0	0	0	0	0	0	0
Monroe	84,756,225	82,309,323	22	19	27	27	10	10	0	0	9	9	0	0	0	0	0	0
Montgomery	122,816,333	119,613,559	23	18	56	55	15	14	0	0	10	10	0	0	0	0	0	0
Morgan	239,061,140	232,260,545	10	10	19	19	9	9	0	0	5	5	0	0	0	1	0	0
New Madrid	343,242,002	336,663,364	18	16	24	23	9	9	0	0	2	2	0	0	1	1	0	1
Newton	440,432,507	414,282,277	0	0	20	17	5	5	0	0	0	0	0	0	0	0	8	8
Nodaway	183,046,529	176,687,607	0	0	0	0	5	5	0	0	5	5	0	0	0	0	0	0
Oregon	57,021,070	55,172,575	6	4	25	24	10	9	0	0	10	9	5	5	0	0	0	0
Osage	118,414,959	113,856,852	14	15	20	20	0	0	0	0	10	8	0	0	0	0	0	0
Ozark	60,283,799	58,861,353	16	15	25	25	10	10	0	0	0	0	0	0	0	0	0	0
Pemiscot	140,211,855	139,236,752	18	17	28	27	10	10	36	35	10	10	0	0	5	5	0	0
Perry	190,897,104	178,775,440	19	14	30	26	18	17	9	9	9	9	0	0	0	0	9	9
Phelps	259,463,527	245,795,434	15	15	9	9	0	0	0	0	9	9	0	0	0	0	0	0
Pike	170,604,053	165,144,456	25	25	29	29	0	0	22	22	18	18	0	0	0	0	0	0
Polk	146,071,678	131,699,101	32	32	0	0	9	9	0	0	2	2	0	0	0	0	0	0
Pulaski	162,083,954	150,504,643	0	0	16	16	7	7	0	0	7	7	5	5	0	0	0	0
Putnam	47,250,808	45,526,096	48	48	0	0	16	16	37	37	0	0	0	0	0	0	0	0
Ralls	110,098,836	103,368,938	19	19	27	27	10	10	0	0	0	0	0	0	0	0	0	0
Randolph	286,457,490	276,559,180	17	16	34	25	15	15	0	0	0	0	0	0	0	0	0	0
Ray	183,078,888	176,466,970	0	0	0	0	10	10	16	15	16	15	0	0	0	0	10	9
Reynolds	99,862,551	100,357,819	27	27	19	19	10	10	11	11	10	10	3	3	0	0	0	0
Ripley	62,376,310	59,306,441	30	30	0	0	15	15	30	30	10	10	5	5	0	0	0	0
St. Clair	67,413,706	66,283,582	33	32	28	25	21	20	0	0	0	0	0	0	0	0	0	0
Ste. Genevieve	208,846,149	201,041,020	18	18	26	26	10	10	16	16	7	7	5	3	0	0	10	10
Schuyler	31,366,528	30,993,858	29	29	26	25	15	15	0	0	0	0	5	5	0	0	0	0
Scotland	41,665,077	40,304,757	49	49	65	65	15	15	0	0	0	0	0	0	0	0	0	0
Scott	302,215,753	288,428,780	7	9	28	28	10	10	0	0	4	4	0	0	1	1	0	0
Shannon	47,527,168	47,130,969	11	13	24	23	10	0	0	0	10	10	0	0	0	0	0	0
Shelby	66,435,729	66,932,226	30	28	35	35	15	15	0	0	0	0	0	0	0	0	0	0
Stoddard	259,812,420	255,355,931	12	12	0	0	10	10	0	0	8	7	0	0	0	0	0	0
Stone	270,361,101	262,255,699	13	13	0	0	8	8	0	0	0	0	5	5	0	0	0	0
Sullivan	60,529,534	66,266,379	28	28	0	0	10	10	43	42	0	0	0	0	0	0	0	0
Taney	574,520,740	537,112,214	0	0	0	0	9	9	0	0	9	3	0	0	0	0	0	0
Texas	120,410,242	117,615,727	0	0	0	0	10	10	0	0	10	10	0	0	0	0	0	0
Vernon	178,200,148	161,422,440	12	11	0	0	8	8	0	0	0	0	0	0	0	0	0	0
Warren	257,412,533	244,909,667	8	8	18	18	0	0	0	0	12	12	0	0	0	0	0	0
Washington	142,952,535	137,903,876	15	17	25	24	15	15	18	17	17	17	5	5	0	0	0	0
Wayne	81,267,765	73,073,854	13	17	11	11	10	10	0	0	8	8	0	0	0	0	3	3
Webster	185,972,246	177,107,663	8	4	19	18	14	13	0	0	8	8	0	0	0	0	0	0
Worth	20,609,212	19,897,750	72	72	83	83	0	0	0	0	0	0	5	5	0	0	0	0
Wright	$ 105,066,537	99,067,731	0	0	0	0	8	8	0	0	8	8	0	0	0	0	0	0

Schedule 8
MISSOURI 3RD CLASS COUNTIES
TYPICAL AUDIT FINDINGS

From the most recent audits of the 93 counties the State Auditor's office audits, the following is a list of the more frequent problems noted. Some of the areas listed are not applicable to all counties and various parts of the findings may not have been present in all examples noted.

1. Associate Division Court and Probate Court's Accounting Controls

   Twenty-seven counties had weaknesses in the controls and records. Bank deposits were not made on a timely basis, bank reconciliations were not prepared, or cash balances were not reconciled to a listing of liabilities to prove the accuracy of the records.

2. Bidding Procedures

   Forty-five counties did not bid some purchases in accordance with Missouri law or did not adequately document their actions in obtaining bids.

3. Budgetary Practices and Financial Statements

   Seventy-eight counties had problems with the budget documents. Budgets were not obtained and/or prepared for some funds, actual disbursements exceeded budgeted amounts, many budgets were inaccurate or incomplete, and in some cases the counties did not reasonably estimate receipts and disbursements. In addition, county published financial statements frequently did not include information for some county funds.

4. Circuit Clerk's Accounting Controls

   Forty counties had weaknesses in the controls and records. Bank deposits were not made on a timely basis, bank reconciliations were not prepared, or cash balances were not reconciled to a listing of liabilities to prove the accuracy of the records.

5. Computer System Controls

   Twenty-nine counties had computer system controls that were in need of improvement. Most of these were instances in which computer access controls were inadequate. Several instances were also noted in which computer software and back-up disks were not stored at an off-site location and the counties lacked formal contingency plans.

6. County Collector's and Ex Officio County Collector's Procedures

   Thirty-nine counties had weaknesses in the collector's procedures. All required information was not included on the annual settlements, bank records were not reconciled to monthly statements of collections, or daily receipt ledgers were not kept accurately. In fourteen

The accompanying Notes to the Schedules are an integral part of this statement.

instances, the county collector or ex-officio collector commission withholdings were not properly calculated.

7. County Expenditures

Fifty-two counties did not always have documentation for payments, or receipt of goods was not always noted on invoices. Some counties also made payments to civic or not-for-profit organizations without formal contracts or clear documented authority or public purpose. Written agreements were not prepared for forty-six counties that provided and/or received goods or services. Eleven instances were noted in which the county either gave employees Christmas gifts or paid employee bonuses.

8. County Property Records

Forty-two counties either did not keep a complete inventory of county real and personal property or did not update existing records on a current basis.

9. Federal Financial Assistance

Forty-eight counties had concerns related to their federal financial assistance programs. Problems included the failure to meet federal reporting requirements or prepare complete and accurate reports, poor cash management procedures, improper use of federal funds, inadequate supporting documentation for expenditures, and inadequate monitoring of funds passed onto subrecipients. Many counties had expenditures made with federal financial assistance monies questioned because of noncompliance with federal requirements.

10. Health Center Controls and Procedures

Forty-eight counties had problems with their health centers. Some allowed actual disbursements to exceed budgeted amounts. Personnel and payroll procedures were in need of improvement. General fixed asset records were sometimes inaccurate or incomplete and not maintained on a current basis. Receipt slips were not issued for some monies received, some invoices were not canceled after being paid, and the acknowledgment of receipt of goods was not always indicated on the invoice.

11. Personnel Records

Thirty-six counties either had inadequate written personnel policies or did not maintain adequate records to support overtime payments and/or compensatory time balances. Many did not monitor annual and sick leave earned and taken. Written authorization for changes made in payroll records was not always maintained.

The accompanying Notes to the Schedules are an integral part of this statement.

12. Prosecuting Attorney Accounting Controls

Fifty-four counties had problems with the prosecuting attorney's office. Either a cash control ledger was not maintained, bank deposits were not made on a timely basis, or monthly bank reconciliations were not prepared. Receipt slips were not always issued for some monies received. Additionally, cash balances were not reconciled to a listing of liabilities to prove the accuracy of the records.

13. Recorder of Deeds' and Ex Officio Recorder of Deeds' Controls and Procedures

Twenty-seven counties had weaknesses in controls and records. Cash receipts were not deposited daily or reconciled to the fee book, documents were sometimes recorded for businesses prior to receipt of payment, and accounts receivable were not adequately documented.

14. Senate Bill 40 Boards (SB40)

Twenty-five counties had problems with county SB40 boards. Many did not maintain adequate written contracts with not-for-profit corporations from which services were obtained. Some did not prepare and/or submit budgets.

15. Sheriff's Accounting Controls and Procedures

Sixty-two counties had weaknesses in the controls and records. Bank deposits were not made on a timely basis, bank reconciliations were not prepared, or cash balances were not reconciled to a listing of liabilities to prove the accuracy of the records. Eight instances were noted in which documentation of mileage claims was not always present or mileage procedures were not always in accordance with Missouri law. Twelve county reports indicated that the controls over seized property could be improved. In numerous counties, the Sheriff was retaining custody of the county funds without statutory authority.

16. Statutory Salaries and Bond Coverage

Twenty-eight counties paid county officials salaries different than their statutory allowances, did not obtain bond coverage or did not have adequate coverage as required by state statutes.

17. Tax Book Controls and Procedures

Twenty-eight counties had tax book controls that were in need of improvement. The County Clerk did not always prepare the current or back tax books for real estate and personal property taxes or verify the tax book totals. Controls over property tax additions and abatements were not adequate. In some cases the County Clerk did not maintain an account book with the County Collector.

The accompanying Notes to the Schedules are an integral part of this statement.

NOTES TO SCHEDULES

MISSOURI 3RD CLASS COUNTIES
NOTES TO THE SCHEDULES

1. Significant Information

Information included in these schedules was compiled from the Missouri State Auditor's most recent audit report of each county; from county budgets for those years currently unaudited; and from other state agency generated reports.

In analyzing these schedules, some disparity will exist due to the use of audited and unaudited information on the same schedules (See Note 2). Counties prepare the budget reports on a cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred. Additionally, the structure and organization of the counties causes some differences. Twenty-three of the ninety-three counties have a township form of government. These counties are as follows:

Barton	Henry
Bates	Linn
Caldwell	Livingston
Carroll	Mercer
Chariton	Nodaway
Dade	Putnam
Daviess	Stoddard
DeKalb	Sullivan
Dunklin	Texas
Gentry	Vernon
Grundy	Wright
Harrison	

Other differences which may result in comparison problems include:

A. Special road districts existing in some counties and not in others;

B. State or federal grants may be received by some counties and not by others;

C. Counties may have enacted a sales tax at different times;

D. Counties may have enacted a capital improvement sales tax or a law enforcement sales tax or have had the capital improvement sales tax expire at different times. Some counties establish new funds to account for these monies while other counties placed the monies into the General Revenue or Special Road and Bridge Funds. Therefore, these monies may be shown as an Other Major Fund on Schedule 6.

E. Some counties may not have a separate tax levy or board for Health Center operations and therefore they account for it as a part of the General Revenue Fund;

F. Some counties have a branch or additional offices for various officials and some offices are combined under one official;

G. Some monies available for general purposes may be kept in separate funds; and

H. Some counties may set up a separate fund for special elections and others account for them through the General Revenue Fund.

These differences, along with classification differences and transfers between funds, may alter the final percentages.

Schedules 1-A, 2-A, 3-A, and 4 present financial data of the counties' General Revenue Fund while Schedules 1-B, 2-B, and 3-B present financial data of the counties' Special Road and Bridge Fund.

Schedule 5 presents disbursements of the Assessment Fund and the number of parcels in each county. The differences in the amounts spent for the operation of the Assessor's office were related to the size of mapping and other contracts, the purchasing of computer equipment, the number of additional personnel hired, and the varying assessment make up of each county. The parcel counts, which represent the number of real estate parcels in each county, were obtained from the state tax commission's most recent data through 1998.

Schedule 6 presents receipts, disbursements and cash balances for additional significant funds of the counties for the years ended December 31, 1998 and 1997. The funds presented are not intended to represent all county funds. Rather, these funds consist of additional sales taxes approved by voters which are not placed in the county's General Revenue or Special Road and Bridge Fund (See Note 3). Approximately 31 law enforcement sales tax funds, 27 capital improvement sales tax funds, and 13 road and bridge sales tax funds were noted. Some counties have more than one of these additional funds, in which case, the amounts have been added together for presentation purposes. The amounts presented were taken from the county budgets unless an audit report had been issued for the year ended December 31, 1997, in which case, audited amounts were presented. Receipts for the sales tax funds totaled approximately $52,900,000, comprised of approximately $20,600,000, $10,800,000, and $21,500,000 in the capital improvement sales tax funds, road and bridge sales tax funds, and law enforcement sales tax funds, respectively. In the prior report, we also showed 911 emergency funds and an other funds category. Beginning with this year's report, only sales tax fund types are being presented. As a result of these changes, some disparity will exist between this and Missouri 3rd Class Counties reports issued in 1998 and prior.

Schedule 7, which shows the assessed valuation and tax levies (in cents per $100 assessed valuation) for 1998 and 1997, was obtained from the Missouri State Tax Commission, the county budgets, and the State Auditor’s 1998 Tax Certification Report. All counties have a general revenue levy unless it has been reduced voluntarily or as required for sales tax collections. Some counties have special road districts which receive some part of the special road and bridge tax monies, and all non-township counties have a special road and bridge levy unless it is entirely composed of special road districts or if the county voluntarily reduces the rate or is required to for sales tax collections.

In 1998, 74 counties had health center levies, 17 had hospital levies, 61 had Senate Bill 40 levies, 14 had senior services levies, and 6 had Johnson Grass levies. Surtax rates, also levied by the counties, have remained the same over the years and have not been presented in this report. The following counties have levies which are not common to all counties and have been placed in the "other" column:

County	Tax		Levy 1998	Levy 1997
Gasconade	Mental Health		10	10
Macon	Parks & Recreation	3	3	
New Madrid	Debt Service		0	1
Newton	Mental Health		7	7
Newton	County Fair		1	1
Perry	Mental Health		9	9
Ray	Mental Health		10	9
Ste. Genevieve	Mental Health		10	10
Wayne	Debt Service		3	3

Schedule 8 reflects various audit findings which have appeared in a significant number of the most recent county audit reports. These typical findings whose titles are general may encompass several smaller categories.

2. County Budgets

The 1999 county budgets contain historical financial information for 1998 and were used in compiling this report for all counties in 1998. Also, budget reports were used to obtain 1997 information for some counties. To provide comparability for the General Revenue Fund and the Special Road and Bridge Fund, more than one fund may have had to be combined for presentation in some counties.

Because audited figures and unaudited figures are presented in this report, the amounts and percentages shown on the schedules may vary somewhat. The following could be major causes for such variances:

A. Differences in classifying receipts and disbursements exist between budget documents prepared by county officials and audit reports issued by the State Auditor's office. Differences in budget classifications may also exist from one budget year to the next.

B. Other differences may include the handling of investment activity, tax anticipation notes, common road districts, loans, sales tax, and CART receipts and transfers. When audited, these items are properly adjusted and reported.

The explanations above could cause deviations in receipts and disbursements. Also, the receipts and disbursements and cash balances may not agree to those presented on the various budgets because of adjustments made to correct errors and reconciliation problems noted. In addition, during the compilation of the budget information, emergency fund disbursements from the General Funds were added to the "Other" disbursement category for purposes of

Schedule 4. For Schedule 3 transfers into the General Revenue and Special Road and Bridge Funds were included in the "Other" receipts category.

In analyzing these schedules, it is important to remember that audited and unaudited information has been used. When actual audit reports for those years shown as unaudited are completed, some differences may result.

3. Sales Tax

Section 67.505, RSMo 1994, allows any county governing body, after a majority vote of its qualified voters, to impose a county sales tax, in conjunction with a property tax reduction for each year in which the sales tax is imposed, for the benefit of the county. More than eighty 3rd class counties have enacted a sales tax pursuant to Section 67.505. RSMo 1994.

In addition, any county may impose an additional sales tax pursuant to Sections 67.547 and 67.582, RSMo 1994, after obtaining a majority approval of the qualified voters. These additional sales taxes do not require a reduction of property tax revenues.

Some counties enacting an alternative sales tax for capital improvements or an additional sales tax for law enforcement purposes pursuant to Sections 67.700 and 67.582, RSMo 1994, respectively, put the proceeds into a regular county fund. Other counties established a separate fund to account for the receipts and disbursements.

The average percentage of sales tax receipts to total receipts as presented on Schedule 3-A and 3-B is the average of all counties. The percentage would change if the average was computed taking into account only those counties which have implemented any of the above sales taxes. The following chart shows these percentages:

	Sales Tax as Percentage of Total Receipts		
Fund	1998	1997	1996
General Revenue Fund	40	42	43
Special Road and Bridge Fund	22	25	27

* * * * *

AUDIT REPORT

CITY OF CALLAO, MISSOURI

YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-76
September 16, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Callao, Missouri.

The City of Callao operates a combined waterworks and sewerage system, and accepts cash, checks, and money orders for payment of water and sewer services. The City Collector is responsible for billing, receiving, recording, and depositing the monies collected. A review of receipt and deposit records indicated that at least $5,561 of receipts from July 1997 through December 1998 were not deposited.

In addition, we were unable to determine the total amount of monies collected and undeposited for some time periods because certain records were missing including monthly reports of customers billed, deposit reports, billing stubs, meter readings, and back up information from the computer. As a result, additional monies could be missing.

The differences went undetected throughout this time period due to numerous internal control weaknesses, little or no independent review, and a lack of adequate record keeping.

The city's $1.85 property tax rate for 1998 exceeded the maximum authorized by state statutes. State law provides that a city's tax levy shall not exceed one dollar for general municipal purposes except by a two-thirds vote, and only for 30 cents for a period of four years at a time. There is no documentation the additional levy (above one dollar) has ever been approved by a vote of the people.

In addition, the Board of Aldermen does not hold public hearings on proposed tax rates or prepare ordinances establishing annual tax rates. State law requires each governing body to hold at least one public hearing prior to approval of proposed tax rates so that citizens may be heard.

The city does not investigate large water losses reported on the City Collector's monthly report. During the year ended June 30, 1998, the City Collector reported a total of 1,102,470 gallons of water loss. The loss ranged from 7 to 22 percent per month. In addition, the city does not reconcile the number of gallons purchased to the number of gallons billed from their supplier.

There is no oversight or adequate segregation of duties related to the city's utility system. The City Collector performs all functions related to generating monthly utility bills, receipting and recording utility payments, making credit adjustments, depositing money received, monitoring accounts for delinquencies, and initiating service shutoff orders.

(over)

The city's budgets for 1998 and 1999 were not complete and were prepared for only the Sewer Fund. Budgets were not prepared for the General Fund, the General Obligation Fund, the Debt Service Fund, the Repair and Replacement Fund, or the Water Deposit Fund.

The city has not obtained annual audits. The city's bond covenants and state law require annual audits of the combined waterworks and sewerage system.

In 1998 the city deposited $36,159 in water user fees into the general fund. The bond restrictions required those revenues be deposited into a separate fund. Currently, the city deposits only the revenues from the sewer system into this fund.

The city has not filed an annual report of financial activity with the State Auditor's office since 1989. State law requires the city to file a financial report with the State Auditor's office annually.

CITY OF CALLAO, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Callao
Callao, Missouri 63534

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Callao, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

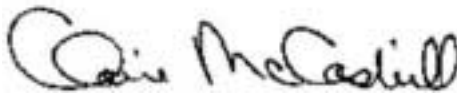
Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for information purposes. This information was obtained from the city and was not subjected to auditing procedures applied during our audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the City of Callao, Missouri.



Claire McCaskill
State Auditor

February 26, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF CALLAO, MISSOURI
HISTORY AND ORGANIZATION

The city of Callao is located in Macon County. It was incorporated as a political subdivision in 1858. The population in 1990 was 332. The city government consists of a mayor and four-member Board of Aldermen. The four members are elected for two-year terms, one from each of the two wards each year. The mayor is elected for two years, presides over the Board of Aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1998, were:

Elected Officials	Term Expires	Compensation Earned for the Year Ended June 30, 1998
Sammy Shoemaker, Jr., Mayor (1)	April 2000	$ 0
William (Bill) Mott, Alderman (2)	April 1999	0
Robert A. Craigg, Alderman (3)	April 2000	0
Evelyn Miles, Alderwoman	April 2000	0
Hazel Mott, Alderwoman (4)	April 1999	0

Other Principal Officials

Miona Denney, City Clerk/Treasurer (5)	$3,000
Sheilla Mott, City Collector (6)	3,000
Lawrence Taylor, City Marshall	576
Phoebe Powell-Herrin, City Attorney (7)	240

(1) Sammy Shoemaker resigned in January 1999. Thomas Sommerfelt was appointed as Mayor on February 8, 1999.

(2) Robert Rowden was elected as alderman in April 1999. Robert Rowden resigned on May 10, 1999. Alex Watson was appointed on June 14, 1999.

(3) Robert Craigg resigned in January 1999. Lila Petre was appointed as alderwomen on February 8, 1999.

(4) Gordon Fleming was elected as alderman in April 1999.

(5) Miona Denney resigned in August 1998. Judith Blakely was appointed as City Clerk from September 14, 1998 until November 2, 1998. Lorie Bufford served as Treasurer from September 14, 1998, until September 24, 1998, when Jayne Watson replaced her. Jayne Watson resigned and Antonia Watson served as temporary treasurer from October 15, 1998 to November 2, 1998. On November 2, 1998, Antonia Watson was appointed City Clerk/Treasurer.

(6) Sheilla Mott resigned on February 8, 1999, and Mary Bartholomew was appointed.
(7) The board voted to replace Phoebe Powell-Herrin with Jeff Elson as City Attorney on September 24, 1998. The board voted to hire James McConnell as City Attorney on January 15, 1999 upon Mr. Elson's resignation.

The city employs one part-time employee.

Assessed valuation and tax rate information for 1998 are as follows:

ASSESSED VALUATION	
Real Estate	$439,865
Personal Property	278,828
Total	$718,693

TAX RATES PER $100 ASSESSED VALUATION	
General Fund	$1.85
Debt Service	1.43

The city also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	.01	None

A summary of the financial activity of the city of Callao for the year ended June 30, 1998, is presented on the next page.

Financial Activity for the Year Ended June 30, 1998

	General Account	Sewer Revenue Account	Meter Deposit Account	Sewer Construction Account	Sewer Repair and Replacement Account	Sewer Debt Service Account	General Obligation Bond Account	Total Accounts
RECEIPTS								
Property taxes	$ 18,082	0	0	0	0	0	18,390	36,472
Motor vehicle taxes	12,945	0	0	0	0	0	0	12,945
Franchise taxes	7,507	0	0	0	0	0	0	7,507
Water sales	36,159	0	0	0	0	0	0	36,159
Sales taxes	6,346	0	0	0	0	0	0	6,346
Sewer sales	0	18,018	0	0	0	0	0	18,018
Meter deposits	0	0	2,000	0	0	0	0	2,000
State grant	0	0	0	52,500	0	0	0	52,500
Licenses	375	0	0	0	0	0	0	375
Interest	1,610	1,303	140	0	8	6	817	3,884
Court fines	405	0	0	0	0	0	0	405
Transfers in	627	0	0	0	2,100	1,500	0	4,227
Miscellaneous	7,130	23	34	0	0	0	0	7,187
Total Receipts	91,186	19,344	2,174	52,500	2,108	1,506	19,207	188,025
DISBURSEMENTS								
Water purchases	22,019	0	0	0	0	0	0	22,019
Payroll	12,728	5,135	0	0	0	0	0	17,863
Utilities	4,442	0	0	0	0	0	0	4,442
Loan payment	4,309	0	0	0	0	0	0	4,309
Fuel	519	0	0	0	0	0	0	519
Construction	1,911	0	0	74,802	0	0	0	76,713
Dog catchers	170	0	0	0	0	0	0	170
Streets	2,018	0	0	0	0	0	0	2,018
Insurance	1,838	0	0	0	0	0	0	1,838
Legal	240	0	0	0	0	0	0	240
Gravel	3,914	0	0	0	0	0	0	3,914
Equipment	23,648	0	0	0	0	0	0	23,648
Bond payment	0	5,880	0	0	0	0	14,797	20,677
Refunds of deposits	0	0	384	0	0	0	0	384
Transfer out	0	3,600	627	0	0	0	0	4,227
Miscellaneous	6,495	879	0	0	0	0	0	7,374
Total Disbursements	84,251	15,494	1,011	74,802	0	0	14,797	190,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,935	3,850	1,163	-22,302	2,108	1,506	4,410	-2,330
CASH BALANCE, JULY 1, 1997	48,857	29,735	3,761	28,233	0	0	18,701	129,287
CASH BALANCE, JUNE 30, 1998	$ 55,792	33,585	4,924	5,931	2,108	1,506	23,111	126,957

MANAGEMENT ADVISORY REPORT

CITY OF CALLAO, MISSOURI
SUMMARY OF FINDINGS

1. Missing Funds (pages 10-11)

   At least $5,561 in water and sewer payments and $220 in dog license collections were not deposited to city accounts.

2. Water and Sewer System Procedures (pages 11-14)

   The city does not investigate large water losses reported on the City Collector's monthly report. There is no oversight or adequate segregation of duties related to the city's utility system. The City Collector does not reconcile the meter deposit listing to the balance in the account. The method and date of payment are not noted on the billing stubs. Various utility records were missing, including monthly reports of customers billed, deposit reports, billing stubs, meter readings, and back up disks for the utility system. The City Collector does not clearly document reconciling items on deposit reports. Deposits are not made on a timely basis. The City Collector's monthly report submitted to the Board of Aldermen was sometimes inaccurate.

3. City Ordinances (pages 14-15)

   City ordinances need to be better organized and updated. One ordinance passed by the Board of Aldermen did not receive the required number of votes.

4. Budgets, Financial Reporting and Auditing (pages 16-17)

   The city's budget for the sewer fund was not in compliance with state law and the city did not budget other city funds. Prior to January 1999, the city did not publish semi-annual financial statements as required by state law. The city has not filed an annual report of financial activity with the State Auditor's office as required. The city has not obtained annual audits of the combined waterworks and sewerage system.

5. Board Meetings, Minutes, and Policies (pages 17-20)

   Board minutes are not signed by the City Clerk or Mayor. The Board of Aldermen does not hold public hearings on the proposed tax rates or prepare ordinances establishing the annual tax rates. In addition, there is no documentation the city's tax levy, which exceeds the maximum established by state law, has ever been approved by a vote of the people. The minutes did not indicate the reasons for closing the November 2, 1998 meeting. In addition, some topics discussed in this closed meeting did not meet the criteria outlined by state law. The city has not formally established a policy regarding access to city records. Board minutes did not include sufficient detail of matters discussed and actions taken. The city has

not formally established a policy regarding when comments from the public will be allowed at board meetings.

6. Accounting Controls and Procedures (pages 20-24)

The Board of Aldermen does not adequately document its approval of disbursements. The city has not established a separate fund or accounting of some restricted revenues. Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the City Clerk/Treasurer. Checks and money orders are not restrictively endorsed immediately upon receipt. The city does not require the dog catcher to submit documentation from the city of Macon that the dogs were delivered prior to payment. Receipt records for licenses are not adequate. The City Collector, Mayor, and Mayor Pro-Tem are not bonded.

7. General Fixed Asset Records and Procedures (pages 24-25)

The city has not established formal policies and procedures for general fixed assets. The city does not tag or otherwise identify the general fixed assets as property of the city. The Board of Aldermen did not publicize or solicit bids for the proposed sale of city property. Daily usage logs are not maintained for the city vehicle.

1. Missing Funds

A. The city of Callao operates a combined waterworks and sewerage system, and accepts cash, checks, and money orders for payment for water and sewer services. The City Collector is responsible for billing, receiving, recording, and depositing the monies collected. A review of receipt and deposit records indicated that at least $5,561 of receipts was not deposited.

Receipt records indicated $68,267 was received during the period of July 1997 through December 1998. However, corresponding deposit records indicate only $62,706 was deposited, for a difference of $5,561. The prior City Collector could provide no explanation.

Cash deposited averaged only four percent of total deposits from July 1997 to September 1998. However, in October 1998 after the city was notified of our upcoming audit, cash increased to ten percent of the total deposits. In addition, after September 1998, total deposits increased $320 per month from an average of $4,643 per month to $4,963 per month.

In addition, we were unable to determine the total amount of monies collected and undeposited for some time periods because certain records were missing including monthly reports of customers billed, deposit reports, billing stubs, meter readings, and back up information from the computer. We, therefore, did not include these billings or deposits in our totals noted above. As a result, additional monies could be missing.

B. The City Collector accepts cash, checks, and money orders for dog licenses. She assigns a number for each license issued. During the period January 1, 1998 through June 30, 1998, the prior City Collector issued 87 dog licenses at $5 each for a total of $435; however, only $215 was deposited for dog licenses.

The differences went undetected throughout this time period due to numerous internal control weaknesses, little or no independent review, and a lack of adequate record keeping. See related Management Advisory Report (MAR) No. 2 for additional information concerning water and sewer receipts and No. 6F for additional information concerning license receipts. The City Collector who had primary responsibility for collecting and recording the receipts resigned her position on February 8, 1999.

WE RECOMMEND the Board of Aldermen review the situation and take necessary legal actions to recover any misappropriated monies, and work with law enforcement officials regarding any criminal prosecution.

AUDITEE'S RESPONSE

The Mayor will contact the City Attorney and determine a course of action based on his advice.

2. Water and Sewer System Procedures

The city operates a combined waterworks and sewerage system that provides service to approximately 170 customers. The city purchases water from Macon County Public Water District Number Three in Macon, Missouri and sells it to city residents. Meters are read by a city employee by the twenty-fifth day of each month, customers are billed on the first day of the subsequent month, and payments are due by the twentieth day of the month. Also included in the billings are charges for sewer service. Our review of the city's billing and collection records and procedures revealed the following concerns:

A. The city does not investigate large water losses reported on the City Collector's monthly report. The City Collector prepares monthly reports of the total number of gallons billed to customers, the total number of gallons purchased, and the total gallons lost; however, no one reviews this report for large water losses. During the year ended June 30, 1998, the City Collector reported a total of 1,102,470 gallons of water loss. The loss ranged from 7 to 22 percent per month. In addition, the city does not reconcile the number of gallons purchased to the number of gallons billed from their supplier.

   To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should investigate significant differences between the number of gallons purchased and the number of gallons billed to customers and the number of gallons billed from the city's supplier. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

B. There is no oversight or adequate segregation of duties related to the city's utility system. The City Collector performs all functions related to generating monthly utility bills, receipting and recording utility payments, making credit adjustments, depositing money received, monitoring accounts for delinquencies, and initiating service shutoff orders.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved,

at a minimum, there should be an independent review of the reconciliations between utility billings to payments recorded and payments deposited, and an independent review and approval of credit adjustments and delinquent account follow-up.

C. The city collects refundable water meter deposits of $100 ($50 prior to May 1996), which are deposited into the water deposit account. The City Collector maintains a list of meter deposits collected and posts to this list when meter deposits are refunded or applied to final bills. The City Collector does not reconcile the meter deposit listing to the balance in the account. In addition, the City Collector indicated she sometimes holds a customer's meter deposit in the account after their service has been discontinued because the deposit is not adequate to cover their final bill.

The meter deposit listing should be reconciled to the balance in the bank account monthly to ensure records are in balance and all meter deposits are accounted for properly. The city should review the meter deposit listing to determine the actual liability for current water system customers and keep the listing properly updated by applying any deposits to outstanding bills when customers discontinue service.

D. The city receives cash and checks for the payment of utility bills. The billing stubs which accompany the payment serve as the city's record of the receipt; however, the method (cash, check, money order, etc.) and date of payment are not noted on the billing stubs.

To ensure the proper handling and safeguarding of city monies, the method and date of payment should be indicated on the billing stubs and the composition of receipts reconciled to bank deposits.

E. Various utility records were missing, including monthly reports of customers billed, deposit reports, billing stubs, meter readings, and back up disks for the utility system. Retention of city records is essential to establishing accountability for city financial activity and in demonstrating compliance with state law. Effective control of records requires all documents and records be safeguarded against loss due to fire or theft, be accessible to the appropriate city officials/employees, and upon reasonable request, be accessible to the public.

F. The City Collector does not clearly document reconciling items on deposit reports. The City Collector records all payments to the city's computerized utility system and generates a deposit report which lists each payment recorded since the last deposit. These reports do not always agree to amounts deposited. In addition, the City Collector often marks though some of the payments listed without clearly documenting why these adjustments are necessary. The City Collector indicated she does not know how to make adjustments to the computer so to correct any problems she records a payment for the amount due.

To ensure all credit adjustments are valid and proper, someone independent of the receipting and recording functions should review all credit adjustments and proper supporting documentation should be maintained of such adjustments.

G. Deposits are not made on a timely basis. During the year ended June 30, 1998, utility deposits were generally made three times a month, with deposits averaging approximately $1,400.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed $100.

H. The City Collector's monthly report submitted to the Board of Aldermen was sometimes inaccurate. During our review of these reports, we noted the following concerns:

* Some monthly reports reviewed were not mathematically correct.

* The monthly reports include several receipt items in more than one sub-total, thus the sub-totals of monies received appear to total more than the amount deposited.

* Meter deposits were reflected on the monthly reports in different months than deposited.

No one at the city reconciles the City Collector's monthly reports to the amounts deposited. Accurate financial information is necessary to properly inform the city's residents and the Board of Aldermen of the utility amounts collected and deposited.

WE RECOMMEND the Board of Aldermen:

A. Ensure the gallons billed to customers are reconciled to the gallons purchased, and require significant differences between the gallons billed to customers, the gallons purchased, and the gallons billed by the supplier be investigated.

B. Segregate the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility billings to payments deposited and payments recorded, and an independent review of and approval for credit adjustments and delinquent account follow-up.

C. Require the City Collector to reconcile the meter deposit listing to the balance in this account each month. In addition, the City Collector should determine the amount of refundable meter deposits held for current customers and properly dispose of any meter deposits held for customers no longer receiving service.

D. Require the City Collector to record the method and date of payment on corresponding billing stubs received and reconcile the composition of receipts to bank deposits.

E. Ensure all records of the city are properly retained and available for review.

F. Ensure someone independent of the utility system reviews and approves all credit adjustments and ensure adequate documentation is retained of such adjustments.

G. Ensure deposits are made on a daily basis or when accumulated receipts exceed $100.

H. Ensure the City Collector's monthly reports accurately reflect utility amounts collected and deposited.

AUDITEE'S RESPONSE

A. This recommendation had been partially implemented. The city had started reviewing large water losses and will develop a procedure to begin reconciling the gallons purchased to the number of gallons billed from the supplier.

B. The Mayor or a member of the finance committee will begin performing an independent review of the collector's records on a monthly basis.

C. This reconciliation has been done recently and the city will continue doing it on a regular basis. The city will transfer deposits held for customers no longer in service from the meter deposit account to the regular account.

D. The City Collector will begin recording this information on the billing stubs.

E. This recommendation has already been implemented. All city business in now conducted at city hall and not in officials' homes.

F. The Mayor will begin doing this as part of the procedures for part B above.

G&H. These recommendations have already been implemented.

3. City Ordinances

A. Improvement is needed in the organization of the city's ordinances. Several ordinances were missing from the official ordinance books and the following ordinances appear to be outdated:

1) City ordinance 306.95, dated May 8, 1995, established the annual salary of the City Clerk/Treasurer and the City Collector at $1,380 each. The City Clerk/Treasurer and the City Collector were each paid $3,000 for the year ended June 30, 1999. City personnel indicated the salary increases were approved by the board; however, the ordinance had not been updated.

2) City ordinance 324.98, dated March 16, 1998, indicated there would be no compensation for the position of City Marshall. City personnel indicated this was because the Marshall also served on the Board of Aldermen. In May 1998, the Board of Aldermen voted to pay the City Marshall $8 per hour since he no longer served on the board; however, the ordinance has not been updated.

3) City ordinance 300.95, dated March 20, 1995, indicated the City Attorney was to be paid $50 per hour. At least one invoice noted $40 per case and another one noted $60 per hour was charged. In addition, the Board of Aldermen voted to hire a new City Attorney in January 1999 at $90 per hour; however, the ordinance has not been updated.

Since the ordinances represent the legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances. Section 79.290, RSMo, requires the board of aldermen to fix the salaries of all city employees by ordinance.

B. Ordinance 326.98, which establishes authorization to access the city's bank records and deposit box, was passed by the Board of Aldermen without the proper number of votes. This ordinance passed with a vote of two yes and two abstentions. Section 79.130, RSMo 1994, requires ordinances to be approved by a majority of all the members of the board of aldermen. Thus, passage of an ordinance requires three favorable votes of the board, or in the case of a tie, the mayor can cast the third positive vote.

WE RECOMMEND the Board of Aldermen:

A. Update the city's ordinances including compensation of city officials and ensure a complete set of ordinances is maintained.

B. Ensure the required number of positive votes is received for the passage of ordinances.

AUDITEE'S RESPONSE

A. The city is currently reviewing the possibility of codifying the city ordinances.

B. The city will implement this recommendation.

4. Budgets, Financial Reporting and Auditing

A. The city's budgets for the years ended June 30, 1999 and 1998 were not complete and were prepared for only the Sewer Fund. Budgets were not prepared for the General Fund, the General Obligation Fund, the Debt Service Fund, the Repair and Replacement Fund, or the Water Deposit Fund.

In addition, the Sewer Fund budget did not include a budget message, the actual and estimated cash and resources available at the beginning and end of the year, respectively, or actual disbursements for the previous two fiscal years. The city presented actual disbursements for only the prior fiscal year.

Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget could also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years.

B. Prior to 1999, the city did not publish semi-annual financial statements as required by law. In addition, while the city published a semi-annual financial statement in January 1999, the published financial statement did not include detailed information but only presented total revenues, expenses, and beginning and ending balances for each fund. In addition, the published financial statement did not report any indebtedness, even though the city had $135,000 in general obligation bonds outstanding at December 31, 1998.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish, semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. The publication of such financial statements is intended to provide information to citizens regarding the financial activity and condition of the city.

C. The city has not filed an annual report of financial activity with the State Auditor's office since 1989. Section 105.145, RSMo 1994, requires the city to file a financial report with the State Auditor's office annually.

D. The city has not obtained annual audits. The city's bond covenants require annual audits of the combined waterworks and sewerage system. In addition, Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined waterworks and sewerage

system, and the cost of the audit is to be paid from the revenues received from the system. During the year ended June 30, 1995, the city entered into federal and state grant agreements for a combined waterworks and sewerage project. The grant agreements required the city to obtain an audit of these funds. Because no audit was obtained, the agencies involved indicated the city is not currently qualified to receive any additional grant monies from these agencies.

In addition to being required by the bond covenants and state law, annual audits of city funds would help ensure city financial transactions have been properly recorded. An audit of combined waterworks and the sewerage project would enable the city to qualify for additional grants in the future.

WE RECOMMEND the Board of Aldermen:

A. Prepare annual budgets, for all funds and include all information required by state law.

B. Ensure complete financial statements are published semi-annually and include detail as required by state law.

C. File annual financial reports with the State Auditor's office as required by state law.

D. Obtain annual audits of city funds.

AUDITEE'S RESPONSE

A. The city prepared budgets for all city funds for the year ending June 30, 2000.

B. The city did publish detailed financial statements for the six months ended June 30, 1999, and will include outstanding debt in the future.

C. A financial report will be filed for the year ended June 30, 1999.

D. An audit will be obtained.

5. Board Meetings, Minutes, and Policies

A. Board meeting minutes are prepared by the City Clerk; however, they are not signed by the City Clerk or Mayor. The minutes should be prepared and signed by the City Clerk and approved by the board and signed by the Mayor immediately upon approval to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

B. The city's $1.85 property tax rate for 1998 exceeded the maximum authorized by state statutes. Section 94.250, RSMo 1994, provides that a city's tax levy shall not exceed one dollar for general municipal purposes except by a two-thirds vote, and only for 30 cents for a period of four years at a time. There is no documentation the additional levy (above one dollar) has ever been approved by a vote of the people. The property tax rate has been in excess of $1.00 for several years. The additional levy resulted in excess property taxes of approximately $6,000 being levied in 1998. The city should review this situation with legal counsel and set the tax rate in compliance with state law. Voter approval is required for any tax rate above one dollar.

In addition, the Board of Aldermen does not hold a public hearing on the proposed tax rates or prepare ordinances establishing the annual tax rates. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. Section 94.190.3 RSMo 1994, requires that tax rates be established by ordinance.

C. The minutes did not indicate the reasons for closing the November 2, 1998, meeting and the related vote for closing the meeting. Section 610.022, RSMo, requires that before the meeting may be closed, the question of holding the closed meeting shall be voted on at open session. The vote and the specific reason listed in Chapter 610 for holding the closed meeting should be entered into the minutes.

In addition, some topics discussed in this closed meeting do not appear to meet the criteria outlined in Section 610.021, RSMo. This section allows topics such as litigation; leasing, purchase or sale of real estate; and hiring, firing, disciplining or promoting an employee to be discussed during a closed meeting. However, the board passed ordinances combining the positions of clerk and treasurer and establishing access to city records. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

D. The city has not formally established a policy regarding access to city records. The city also has not formally established the rates to be charged for copies of city records. Section 610.023, RSMo, indicates that each public governmental body is to appoint a custodian to be responsible for the maintenance of that body's records and establishes guidelines for making city records available to the public. To ensure compliance with state law, the city should adopt formal policies regarding the location of city records, the persons responsible for maintaining each record, and procedures for citizens to request access to public records and how the city will handle these requests. Section 610.026, RSMo, allows the city to set reasonable fees for providing access to or furnishing copies of public records, not to exceed the actual cost of document search and duplication.

E. Board minutes did not always include sufficient detail of matters discussed and actions taken. During our review of board minutes we noted the following concerns:

1) November 1996, the Board of Aldermen voted on the appointment of a City Clerk/Treasurer. The board minutes indicate that Miona Denny (daughter of Alderman Miles) was appointed as the City Clerk/Treasurer with 3 aye votes and no nay votes. These minutes indicate Alderman Lawrence Taylor, Alderman Evelyn Miles, Alderman William Mott, and Mayor Jerry Brown were present at this meeting; thus it would appear Alderman Miles voted to appoint her daughter as City Clerk/Treasurer. However, the board members indicated these minutes are incorrect. They indicated Alderman Hazel Mott was also present at this meeting and Alderman Evelyn Miles abstained from voting on this appointment.

   In May 1998, the Board of Alderman voted to increase the salary of the City Clerk/Treasurer. The board minutes simply indicate this motion passed. The minutes do not record the vote taken or note any abstentions.

2) Board minutes did not include documentation of the reappointment each year of the appointed officials. City ordinance establishes a one year term of office for the appointed officials; however, many of the officials served for several years.

3) The minutes did not contain some information required by statute. There were several instances where the minutes indicated a motion had passed, but did not indicate the number of votes for and against.

Section 610.020, RSMo, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes provide an official record of board actions and decisions. In addition, discussions and decisions concerning appointments where nepotism or a potential conflict of interest exits should be clearly documented so that the public has assurance that no city official agent has acted improperly. Board members should abstain from voting when a relative's employment or appointment is involved, and their abstention should be clearly documented in the minutes.

F. The city has not formally established a policy regarding the procedures for public comment at board meetings. It appears such a policy may be necessary, because during the last several months, the Board of Aldermen has been unable to conduct city business due the inability to control public comments at the meetings. Currently, the citizens are allowed to comment on city business throughout the board meeting, without time limit.

WE RECOMMEND the Board of Aldermen:

A. Require the City Clerk and Mayor to sign the board minutes to attest to the accuracy and completeness.

B. Comply with state statutes when setting future tax levies, hold public hearings on proposed property tax rates and establish the tax rates by ordinance, as required by state law.

C. Conduct all closed meetings and record all public votes in compliance with statutory provisions and ensure documentation (meeting minutes) is adequate to demonstrate compliance with state laws.

D. Develop a written policy regarding procedures to obtain access to, or copies of, public city records.

E. Ensure minutes are complete and include all information required by statute. Such documentation is particularly important when an issue includes the appointment of relatives of certain board members.

F. Consider establishing a written policy regarding public comment procedures at board meetings.

AUDITEE'S RESPONSE

A. The Mayor and the City Clerk will sign the minutes.

B. The city will review this with its city attorney. The city has set up a special meeting to establish the tax rate for 1999, and did pass an ordinance to establish the 1998 tax rate at the March 1999 meeting.

C&E. The city has already implemented these recommendations.

D. The Mayor will establish a policy appointing a record custodian and develop a written procedure to be posted for the public on access to public records including the costs to be charged for copies.

F. The city has established a formal policy to allow for public comment at the board meetings.

6. Accounting Controls and Procedures

A. Although there is an occasional reference to a specific invoice being approved for payment, the board minutes usually only make a general reference that invoices are approved for payment. Invoices for bills are retained in the monthly files, but these invoices are not signed or initialed by the board members, and a listing of all disbursements approved for payment by the board is not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board members to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the Board of Aldermen before payment is made to ensure all disbursements represent valid operating costs of the city.

B. The city has not established a separate fund or accounting of some restricted revenues.

1. During the year ended June 30, 1998, the city received $12,945 in motor vehicle-related revenues from the state. The city deposits these revenues into the general fund and a separate accounting for the revenues and related expenditures has not been established.

   Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes. To ensure compliance with the Missouri Constitution the city should establish a separate accounting of restricted revenues and ensure these revenues are used only for appropriate purposes.

2. During the year ended June 30, 1998, the city deposited $36,159 in water user fees into the general fund. The bond covenants require the revenues from the combined waterworks and sewerage system be deposited into a separate revenue fund. Currently, the city deposits only the revenues from the sewer system into this fund.

   To comply with the bond covenants and to assist the city in establishing reasonable and sufficient water rates, the city should establish a separate accounting of the waterworks and sewerage system and ensure these revenues are used only for associated costs.

   In addition, the bond covenants require the establishment of a Combined Waterworks and Sewerage System Surplus Account and an Operation and Maintenance Account. These accounts have not been established by the city.

As a result of the above two items, the city does not know how much of the $55,792 balance in its general fund, as of June 30, 1998, was generated from the city's street or water operations.

C. With the exception of the city's utility records, the City Clerk/Treasurer is responsible for essentially all record keeping duties of the city. These duties include receiving and depositing monies, preparing invoices for payment, signing checks, performing bank reconciliations, and preparing financial reports.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the City Clerk/Treasurer.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits and checks issued to disbursement records, and review bank statements and bank reconciliations.

D. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

E. The city pays a dog catcher $10 for each dog delivered to the city of Macon for impoundment. The dog catcher notifies the City Clerk/Treasurer of the number of dogs delivered to receive payment. The city does not require him to submit documentation from the city of Macon that the dogs were delivered. The city of Macon subsequently bills the city for each dog impounded. During the year ended June 30, 1998, it appears the dog catcher claimed 17 dogs for payment; however, the city of Macon billed the city for only 13 impoundments. The city of Macon sends a copy of a signed receipt for the dogs delivered with their invoice. City personnel should require a copy of this receipt be submitted by the dog catcher for payment.

F. Licenses issued by the city are not prenumbered by the printer. In addition, the City Collector does not issue receipt slips or record individual receipts for licenses on a receipt ledger. The City Collector consecutively hand-numbers the pet licenses by writing the dog tag number on each license form; however, numbers are not assigned to merchant licenses. The City Collector does not maintain any type of record of individual merchants licenses issued.

To properly account for all receipts, prenumbered receipt slips should be issued or receipts should be recorded on a ledger immediately upon receipt. The method of payment received (cash, check, or money order) should be noted on the receipt slips or ledger. To

ensure all receipts are deposited, the City Collector should reconcile receipt slips or ledger amounts, including the composition of receipts, to amounts deposited. To provide additional assurance all monies are properly collected, recorded, and deposited, licenses and permits should be prenumbered and the numerical sequence should be accounted for properly. The related receipt slips and monies recorded and deposited should be reconciled to the documents issued.

G. The City Collector collects money, but is not bonded. In addition, the Mayor and Mayor pro-tem are authorized to sign checks but are not bonded. Failure to properly bond city officials exposes the city to an unnecessary risk of loss.

The city should base its bond coverage on the money an official has access to at any one time, the cost of increased bond coverage, and the level of risk the Board of Aldermen is willing to assume.

WE RECOMMEND the Board of Aldermen:

A. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.

B. Establish funds as required and separately account for restricted revenues to ensure monies are spent in accordance with applicable laws and regulations. In addition, the board needs to determine the amounts of its current cash balance which should be reserved for street and water operations, respectively.

C. Consider appointing separate individuals to the positions of City Clerk and City Treasurer and provide for adequate segregation of duties. If this is not possible, an independent review of the related records and activity should be performed periodically.

D. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

E. Require signed receipt slips from the city of Macon before paying the dog catcher for impoundments.

F. Ensure the City Collector issues prenumbered receipt slips or maintains a receipt ledger and reconciles amounts received to amounts deposited. In addition, the Board of Aldermen should require all licenses to be prenumbered and the numerical sequence accounted for properly.

G. Consider obtaining bond coverage for all city officials with access to city funds.

AUDITEE'S RESPONSE

A. The board now signs a list of the bills approved for payment.

B. The city will review setting up a separate accounting for these monies.

C. Each board member is given copies of the bank reconciliation each month. The city will develop additional review procedures.

D. The city has already implemented this recommendation.

E. The city no longer has dog catchers.

F. The recommendation will be implemented.

G. The current collector is bonded. The city will look into additional bond coverage.

7. General Fixed Asset Records and Procedures

A. The city has not established formal policies and procedures for general fixed assets, including procedures for the annual physical inventory of the city's general fixed assets. In addition, the city does not maintain property records to account for general fixed assets owned by the city.

Adequate general fixed asset records are necessary to provide better controls over city property and provide a basis for proper financial reporting. Formal policies and procedures for the annual physical inventory are necessary to ensure all personnel understand the duties assigned to them.

B. The city does not tag or otherwise identify the general fixed assets as property of the city. Properly tagged items help assure the city that all fixed assets are included on the fixed asset records, and are identified as belonging to the city of Callao.

C. During the year ended June 30, 1998, the Board of Aldermen voted twice to sell various pieces of city equipment to an interested buyer without publicizing or soliciting bids. Although the Board of Aldermen indicated that in both of these instances the sales were not completed, the board should publicize or solicit bids to ensure the best price is obtained for property sold. Documentation of bids received should be maintained.

D. The city has one car which is driven by the City Marshall. Daily usage logs are not maintained for this vehicle.

Logs should be maintained indicating the purpose and destination of each trip, the beginning and ending odometer readings, and the operation and maintenance costs. The

log should be reviewed by the Board of Aldermen to help ensure there is no inappropriate personal use of the city's vehicle, verify the propriety of fuel and/or repair billings, and identify the need to replace the vehicle due to excessive maintenance costs.

WE RECOMMEND the Board of Aldermen:

A. Develop formal policies and procedures regarding general fixed asset records including an annual physical inventory of general fixed assets. In addition, general fixed asset records should be established.

B. Properly tag, number, or otherwise identify all city property.

C. Solicit bids for all city equipment sold.

D. Require daily usage logs be maintained for the city vehicle and perform a periodic review of the logs.

AUDITEE'S RESPONSE

A. General fixed asset procedures will be developed.

B. All property items will be tagged.

C. Bids are now being obtained for the sale of city equipment.

D. The Mayor will discuss this with the City Marshall.

This report was intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

NODAWAY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-75
September 15, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Nodaway, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Nodaway County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< The county does not maintain centralized records of leave and compensatory time. Inconsistent application of personnel policies and instances of noncompliance with personnel policies were noted.

< The Public Administrator determines fees from estates each year using two methods - an hourly rate for most cases and a percentage of total estate assets method for larger estates. The Associate Circuit Judge does not determine the fee method or percentages used, but does approve the fees taken. The Public Administrator generally used the method which resulted in higher fees. Additionally, for the larger estates the percentages applied varied among estates and between years for the same estate. The audit suggested fee guidelines be established to ensure fees are charged in an equitable manner.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Associate Division, Sheriff, Assessor, County Clerk, and Senate Bill 40 Board. The audit also suggested improvements be made in the county's financial statement reporting and general fixed asset records and procedures.

<u>Copies of the audit are available upon request</u>.

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Nodaway County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Nodaway County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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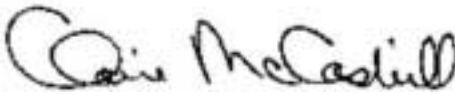
Nodaway County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 21, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Nodaway County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 21, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Nodaway County, Missouri

We have audited the special-purpose financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Nodaway County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Nodaway County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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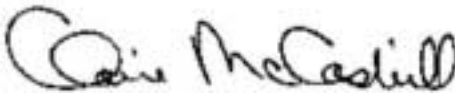
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Nodaway County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 21, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,572,315	2,130,055	2,161,376	1,540,994
Special Road and Bridge		1,035,037	2,139,763	1,660,216	1,514,584
Assessment		83,941	222,819	257,013	49,747
Law Enforcement Training		3,271	7,176	2,792	7,655
Prosecuting Attorney Training		432	1,443	544	1,331
Recorder User Fee		17,882	8,209	10,145	15,946
Tax Incentive Payment		2,662	10	0	2,672
911		2,418	75,399	46,692	31,125
Sheriff Crime Cost		5,281	19,069	6,775	17,575
Nuclear Accident Emergency Preparedness		1,008	3,038	1,114	2,932
Local Emergency Planning Committee		2,517	3,344	2,283	3,578
Health Center		280,587	414,546	398,914	296,219
Senate Bill 40		21,567	91,818	82,569	30,816
Circuit Division Interest		8,145	4,878	1,682	11,341
Adult Abuse		210	2,830	3,040	0
Associate Division Interest		3,836	4,365	0	8,201
Law Library		603	3,398	3,661	340
Probate Division Interest		32	69	0	101
Total	$	3,041,744	5,132,229	4,638,816	3,535,157

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,299,563	2,144,924	1,872,172	1,572,315
Special Road and Bridge		427,229	2,361,070	1,753,262	1,035,037
Assessment		123,188	180,267	219,514	83,941
Law Enforcement Training		3,556	3,673	3,958	3,271
Prosecuting Attorney Training		496	1,739	1,803	432
Flood		13,529	302,503	316,032	0
Recorder User Fee		15,820	9,657	7,595	17,882
Tax Incentive Payment		2,639	23	0	2,662
Nuclear Accident Emergency Preparedness		2,265	0	1,257	1,008
Local Emergency Planning Committee		3,783	0	1,266	2,517
Health Center		237,817	378,188	335,418	280,587
Circuit Division Interest		4,904	3,926	685	8,145
Adult Abuse		0	3,310	3,100	210
Sheriff Crime Cost		0	5,281	0	5,281
911		0	41,450	39,032	2,418
Use Tax		42,360	240	42,600	0
Senate Bill 40		11,250	87,218	76,901	21,567
Associate Division Interest		1,918	1,918	0	3,836
Law Library		608	2,945	2,950	603
Probate Division Interest		0	32	0	32
Total	$	2,190,925	5,528,364	4,677,545	3,041,744

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 13,600	13,111	-489	12,500	13,631	1,131
Sales taxes	1,470,000	1,481,847	11,847	1,400,000	1,483,595	83,595
Intergovernmental	127,775	144,719	16,944	115,911	111,764	-4,147
Charges for services	226,500	216,551	-9,949	188,150	235,391	47,241
Interest	101,000	91,589	-9,411	55,000	101,020	46,020
Other	130,109	182,238	52,129	103,900	156,864	52,964
Transfers in	0	0	0	35,000	42,659	7,659
Total Receipts	2,068,984	2,130,055	61,071	1,910,461	2,144,924	234,463
DISBURSEMENTS						
County Commission	75,455	75,115	340	78,355	75,029	3,326
County Clerk	91,512	79,436	12,076	98,597	86,623	11,974
Elections	48,900	46,289	2,611	33,350	20,007	13,343
Buildings and grounds	322,286	341,078	-18,792	227,900	233,323	-5,423
Employee fringe benefits	148,000	87,457	60,543	105,000	68,504	36,496
County Treasurer and Ex Officio						
County Collector	68,948	68,190	758	69,264	66,973	2,291
Recorder of Deeds	61,849	61,471	378	60,479	59,401	1,078
Circuit Clerk	37,400	27,728	9,672	33,800	24,100	9,700
Associate Circuit Court	9,500	13,630	-4,130	9,300	9,262	38
Public Administrator	47,818	41,775	6,043	12,538	53,376	-40,838
Sheriff	326,381	302,035	24,346	310,633	291,063	19,570
Jail	216,616	224,136	-7,520	207,838	181,396	26,442
Prosecuting Attorney	126,105	115,988	10,117	116,690	110,451	6,239
Juvenile Officer	105,456	128,349	-22,893	103,760	98,164	5,596
County Coroner	14,267	12,156	2,111	11,435	10,704	731
Other general county government	165,185	177,466	-12,281	151,572	142,526	9,046
Public health and welfare services	2,250	674	1,576	2,250	1,270	980
Transfers out	385,000	340,000	45,000	340,000	340,000	0
Emergency Fund	40,000	18,403	21,597	40,000	0	40,000
Total Disbursements	2,292,928	2,161,376	131,552	2,012,761	1,872,172	140,589
RECEIPTS OVER (UNDER) DISBURSEMENTS	-223,944	-31,321	192,623	-102,300	272,752	375,052
CASH, JANUARY 1	1,572,315	1,572,315	0	1,298,014	1,299,563	1,549
CASH, DECEMBER 31	$ 1,348,371	1,540,994	192,623	1,195,714	1,572,315	376,601

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 88,200	88,029	-171	87,000	88,152	1,152
Sales taxes	0	0	0	243,500	0	-243,500
Intergovernmental	1,672,000	1,473,410	-198,590	1,436,000	1,521,013	85,013
Interest	40,000	59,343	19,343	20,000	42,342	22,342
Other	134,000	178,981	44,981	157,000	155,204	-1,796
Transfers in	340,000	340,000	0	340,000	554,359	214,359
Total Receipts	2,274,200	2,139,763	-134,437	2,283,500	2,361,070	77,570
DISBURSEMENTS						
Salaries	190,000	151,547	38,453	185,000	146,153	38,847
Employee fringe benefits	52,385	31,311	21,074	53,503	31,961	21,542
Supplies	35,200	25,850	9,350	39,800	26,277	13,523
Insurance	13,000	25,441	-12,441	13,000	21,828	-8,828
Road and bridge materials	1,030,000	1,053,602	-23,602	1,055,000	849,973	205,027
Equipment repairs	25,000	12,105	12,895	30,000	10,752	19,248
Equipment purchases	125,000	116,070	8,930	60,000	38,706	21,294
Construction, repair, and maintenance	700,000	243,990	456,010	800,000	627,212	172,788
Other	0	300	-300	0	400	-400
Transfers out	0	0	0	35,000	0	35,000
Total Disbursements	2,170,585	1,660,216	510,369	2,271,303	1,753,262	518,041
RECEIPTS OVER (UNDER) DISBURSEMENTS	103,615	479,547	375,932	12,197	607,808	595,611
CASH, JANUARY 1	1,035,037	1,035,037	0	427,229	427,229	0
CASH, DECEMBER 31	$ 1,138,652	1,514,584	375,932	439,426	1,035,037	595,611

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 170,213	207,298	37,085	144,084	171,149	27,065
Interest	5,000	5,484	484	2,000	7,400	5,400
Other	3,000	10,037	7,037	2,500	1,718	-782
Total Receipts	178,213	222,819	44,606	148,584	180,267	31,683
DISBURSEMENTS						
Assessor	261,700	257,013	4,687	248,740	219,514	29,226
Total Disbursements	261,700	257,013	4,687	248,740	219,514	29,226
RECEIPTS OVER (UNDER) DISBURSEMENTS	-83,487	-34,194	49,293	-100,156	-39,247	60,909
CASH, JANUARY 1	83,941	83,941	0	123,188	123,188	0
CASH, DECEMBER 31	$ 454	49,747	49,293	23,032	83,941	60,909

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	1,526	1,526	0	43	43
Charges for services	3,500	5,650	2,150	3,600	3,630	30
Total Receipts	3,500	7,176	3,676	3,600	3,673	73
DISBURSEMENTS						
Sheriff	6,500	2,792	3,708	6,500	3,958	2,542
Total Disbursements	6,500	2,792	3,708	6,500	3,958	2,542
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,000	4,384	7,384	-2,900	-285	2,615
CASH, JANUARY 1	3,271	3,271	0	3,556	3,556	0
CASH, DECEMBER 31	$ 271	7,655	7,384	656	3,271	2,615

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,000	1,443	-557	2,300	1,739	-561
Total Receipts	2,000	1,443	-557	2,300	1,739	-561
DISBURSEMENTS						
Prosecuting Attorney	2,000	544	1,456	2,750	1,803	947
Total Disbursements	2,000	544	1,456	2,750	1,803	947
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	899	899	-450	-64	386
CASH, JANUARY 1	432	432	0	496	496	0
CASH, DECEMBER 31	$ 432	1,331	899	46	432	386

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 88,000	91,109	3,109	82,000	89,151	7,151
Intergovernmental	242,071	253,121	11,050	222,997	219,677	-3,320
Interest	8,000	12,548	4,548	8,000	11,554	3,554
Other	41,325	57,768	16,443	33,300	57,806	24,506
Total Receipts	379,396	414,546	35,150	346,297	378,188	31,891
DISBURSEMENTS						
Salaries	218,300	222,675	-4,375	195,240	191,887	3,353
Office expenditures	19,900	16,783	3,117	17,000	19,111	-2,111
Equipment	9,600	9,633	-33	5,000	135	4,865
Mileage and training	10,050	8,063	1,987	10,000	6,768	3,232
Other	142,110	141,760	350	126,489	117,517	8,972
Total Disbursements	399,960	398,914	1,046	353,729	335,418	18,311
RECEIPTS OVER (UNDER) DISBURSEMENTS	-20,564	15,632	36,196	-7,432	42,770	50,202
CASH, JANUARY 1	280,722	280,587	-135	237,917	237,817	-100
CASH, DECEMBER 31	$ 260,158	296,219	36,061	230,485	280,587	50,102

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 9,000	7,466	-1,534	8,000	8,970	970
Interest	0	743	743	0	687	687
Total Receipts	9,000	8,209	-791	8,000	9,657	1,657
DISBURSEMENTS						
Recorder	16,100	10,145	5,955	7,100	7,595	-495
Total Disbursements	16,100	10,145	5,955	7,100	7,595	-495
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,100	-1,936	5,164	900	2,062	1,162
CASH, JANUARY 1	17,882	17,882	0	15,820	15,820	0
CASH, DECEMBER 31	$ 10,782	15,946	5,164	16,720	17,882	1,162

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
TAX INCENTIVE PAYMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 0	10	10	30	23	-7
Total Receipts	0	10	10	30	23	-7
DISBURSEMENTS						
Prosecuting Attorney	500	0	500	500	0	500
Total Disbursements	500	0	500	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-500	10	510	-470	23	493
CASH, JANUARY 1	2,662	2,662	0	2,639	2,639	0
CASH, DECEMBER 31	$ 2,162	2,672	510	2,169	2,662	493

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NUCLEAR ACCIDENT EMERGENCY PREPAREDNESS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	3,038	3,038	3,000	0	-3,000
Total Receipts	0	3,038	3,038	3,000	0	-3,000
DISBURSEMENTS						
Other	1,000	1,114	-114	2,235	1,257	978
Total Disbursements	1,000	1,114	-114	2,235	1,257	978
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,000	1,924	2,924	765	-1,257	-2,022
CASH, JANUARY 1	1,008	1,008	0	2,265	2,265	0
CASH, DECEMBER 31	$ 8	2,932	2,924	3,030	1,008	-2,022

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	3,344	3,344	3,000	0	-3,000
Total Receipts	0	3,344	3,344	3,000	0	-3,000
DISBURSEMENTS						
Other	2,500	2,283	217	3,783	1,266	2,517
Total Disbursements	2,500	2,283	217	3,783	1,266	2,517
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,500	1,061	3,561	-783	-1,266	-483
CASH, JANUARY 1	2,517	2,517	0	3,783	3,783	0
CASH, DECEMBER 31	$ 17	3,578	3,561	3,000	2,517	-483

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 3,500	4,878	1,378	1,500	3,926	2,426
Total Receipts	3,500	4,878	1,378	1,500	3,926	2,426
DISBURSEMENTS						
Circuit Clerk	1,500	1,682	-182	1,000	685	315
Total Disbursements	1,500	1,682	-182	1,000	685	315
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	3,196	1,196	500	3,241	2,741
CASH, JANUARY 1	8,145	8,145	0	4,904	4,904	0
CASH, DECEMBER 31	$ 10,145	11,341	1,196	5,404	8,145	2,741

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Phone taxes	$ 84,000	74,281	-9,719
Interest	0	1,118	1,118
Transfers in	45,000	0	-45,000
Total Receipts	129,000	75,399	-53,601
DISBURSEMENTS			
Personnel	47,404	0	47,404
Contract services	38,400	34,000	4,400
Signs	44,000	12,692	31,308
Total Disbursements	129,804	46,692	83,112
RECEIPTS OVER (UNDER) DISBURSEMENTS	-804	28,707	29,511
CASH, JANUARY 1	2,418	2,418	0
CASH, DECEMBER 31	$ 1,614	31,125	29,511

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CRIME COST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 7,700	19,069	11,369
Total Receipts	7,700	19,069	11,369
DISBURSEMENTS			
Equipment	7,000	6,775	225
Total Disbursements	7,000	6,775	225
RECEIPTS OVER (UNDER) DISBURSEMENTS	700	12,294	11,594
CASH, JANUARY 1	5,281	5,281	0
CASH, DECEMBER 31	$ 5,981	17,575	11,594

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Property taxes	$	85,241	91,070	5,829
Interest		0	748	748
Total Receipts		85,241	91,818	6,577
DISBURSEMENTS				
Funding for services		68,192	77,081	-8,889
Individual requests		8,524	4,886	3,638
Office expenditures		0	32	-32
Other		0	570	-570
Total Disbursements		76,716	82,569	-5,853
RECEIPTS OVER (UNDER) DISBURSEMENTS		8,525	9,249	724
CASH, JANUARY 1		21,882	21,567	-315
CASH, DECEMBER 31	$	30,407	30,816	409

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FLOOD FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 125,000	298,062	173,062
Interest	1,000	4,441	3,441
Total Receipts	126,000	302,503	176,503
DISBURSEMENTS			
Other	10,000	60,200	-50,200
Transfers out	125,000	255,832	-130,832
Total Disbursements	135,000	316,032	-181,032
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,000	-13,529	-4,529
CASH, JANUARY 1	13,529	13,529	0
CASH, DECEMBER 31	$ 4,529	0	-4,529

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Adult Abuse Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997
911 Fund	1997
Senate Bill 40 Fund	1997
Sheriff Crime Cost Fund	1997
Use Tax Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Circuit Division Interest Fund	1998
Nuclear Accident Emergency Preparedness Fund	1998
Senate Bill 40 Fund	1998
Flood Fund	1997
Recorder User Fee Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Adult Abuse Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997
Recorder User Fee Fund	1998 and 1997
Sheriff Crime Cost Fund	1998 and 1997
Senate Bill 40 Fund	1998 and 1997
Tax Incentive Payment Fund	1998 and 1997
Flood Fund	1997
Health Center Fund	1997
911 Fund	1997
Nuclear Accident Emergency Preparedness Fund	1997
Use Tax Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a

written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1998, $1,590,563 was covered by federal depositary insurance and $2,542,130 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Of the county's bank balance at December 31, 1997, $1,486,346 was covered by federal depositary insurance and $2,177,424 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the Board's custodial bank in the Board's name.

The Senate Bill 40 Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $252,360 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $120,964. As of December 31, 1998, $45,364 remains to be paid.

Supplementary Schedule

Schedule

NODAWAY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children			
		ERO045-7174	$ 0	30,298
		ERO045-8174	26,935	10,041
		ERO045-9174	10,050	0
	Program Total		36,985	40,339
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	MO07400U	18,988	5,488
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-074(19)	176,562	186,045
		BRO-074(23)	0	461,308
		BRO-074(29)	36,940	0
		BRO-074(30)	36,854	0
	Program Total		250,356	647,353
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	2,563	1,148
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.5	Emergency Management - State and Local Assistance	N/A	0	1,350
83.5	Public Assistance Grants	FEMA-1054-DR-MO	0	6,200
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	PGO064-7174IAP	0	13,075

		PGO064-8174IAP	13,490	0
	Program Total		13,490	13,075
	Department of Social Services -			
93.6	Emergency Community Services			
	for the Homeless	HCP-48	5,911	5,911
93.7	Community Services Grant	ERO172001	2,140	3,573
93.7	Intensive Probation Grant	ERO172022	18,692	2,193
93.7	Parent Education Grant	ERO172095	2,200	990
	Program Total		23,032	6,756
::				
	Department of Health -			
94.0	Preventive Health and Health Services Block Grant	AOC9000170	5,433	0
94.0	Maternal and Child Health Services			
	Block Grant to the States	ERO146-7174MCH	0	15,895
		ERO146-8174MCH	19,193	3,367
		ERO146-9174MCH	6,092	0
	Program Total		25,285	19,262
94.0	Comprehensive Family Planning	ERO175-7174FP	0	2,443
		ERO175-8174FP	3,623	2,105
	Program Total		3,623	4,548
	Total Expenditures of Federal Awards		$ 385,666	751,430

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

NODAWAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Nodaway County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $5,911 and $5,911 to a subrecipient under Emergency Community Services for the Homeless (CFDA number 93.569) during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Nodaway County, Missouri

Compliance

We have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Nodaway County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

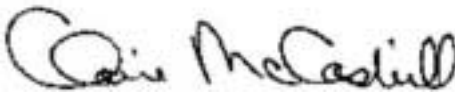
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Nodaway County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Nodaway County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 21, 1999 (fieldwork completion date)

Schedule

NODAWAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes ___x___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___x___ none reported

Noncompliance material to the financial statements noted? _____ yes ___x___ no

Federal Awards

Internal control over major program

Material weakness identified? _____ yes ___x___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___x___ none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes ___x___ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off -System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes __x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

NODAWAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

4. Federal Financial Assistance

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.516
Program Title:	Disaster Assistance
Pass-Through Entity Identifying Numbers:	FEMA-995-DR-MO and FEMA-1054-DR-MO
Award Years:	1996, 1995, and 1994
Questioned Costs:	Unknown

During the three years ended December 31, 1996, the county received approximately $2.7 million in federal funds from a disaster assistance grant passed through the state Department of Public Safety. The majority of these funds was received prior to when the related costs were incurred and the monies were invested by the county. Interest earnings totaling approximately $57,500 were retained by the county.

Recommendation:

The County Commission establish procedures to identify interest earned on the advance of federal monies received and contact the appropriate grantor agencies to resolve the questioned costs.

Status:

We contacted the Department of Public Safety (DPS) which indicated we were required to remit any interest earned on advances to the federal agency. We complied by remitting

$54,000 to the applicable federal agency. In addition, the DPS indicated that any future interest earned on advances by Nodaway County was to be remitted to the federal agency "promptly, but at least quarterly."

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Findings

NODAWAY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT FINDINGS

We have audited the special-purpose financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 21, 1999. We also have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 21, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Nodaway County Public Housing Authority Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the year ended December 31, 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county boards referred to above. In addition, this report includes

findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Nodaway County and of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Published Financial Statements

The annual published financial statements of the county did not include the financial activity of some county funds and did not include all required information for other county funds. In addition, no information was included regarding the Senate Bill 40 Board Fund. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds.

For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

This condition was noted in our prior report.

WE RECOMMEND the County Commission ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

We will make an attempt to obtain the necessary information concerning these funds for inclusion in the annual published financial statements.

2. Personnel Policies and Procedures

A. The county personnel manual currently provides that full-time employees, except in the Sheriff's Department, work 35 hours per week and compensatory time cannot be earned unless actual hours worked exceed 40 hours. It is not clear whether employees are currently entitled to compensatory time for working their lunch hours or other additional hours between 35 and 40 hours per week. Clear, written policies detailing the employee's work week and the requirements for earning compensatory time are necessary to ensure employees are properly compensated and treated fairly.

B. Each official is responsible for maintaining leave and compensatory time records for their employees. The County Clerk does not maintain records of vacation leave, sick leave, and compensatory time earned or subsequently taken by county employees. Based on records provided by various officeholders, we noted one employee who appears to have used sick leave in excess of hours accrued during the year ended December 31, 1997. In addition, we noted an employee with a balance of 24 days of vacation time available at December 31, 1998, which exceeds the 20 day maximum accrual as stated in the personnel policy.

   Without centralized records, the County Commission cannot ensure that employees' vacation leave, sick leave, and compensatory time balances are accurate and excessive leave time is not used. Centralized leave records also aid in determining final compensation for employees leaving county employment. In addition, such records will better document compliance with the Fair Labor Standards Act.

C. Personnel files do not always include current signed authorizations for payroll deductions. Internal Revenue Service regulations require that employees requesting advance earned income credit (EIC) payments complete a W-5 form annually or whenever their status changes. We noted one employee receiving advance EIC payments had not completed a W-5 form since 1995. In addition, we noted employee credit union payroll deductions were not supported by signed employee authorizations. Without such information in the files, there is less assurance that payroll deductions and payments to employees are properly authorized.

D. The county's personnel policy requires employee time sheets be reviewed and approved by each employee's supervisor. During a review of time sheets, we noted instances where time sheets were not signed by the appropriate supervisor. Proper controls over payroll require time sheets be signed by supervisors indicating their approval and to provide evidence that the appropriate salary is paid each month.

E. We noted inconsistencies in holiday pay for part-time employees. The personnel policy states that part-time employees receive holiday pay in proportion to the hours per week normally worked; however, we noted some part-time employees receive a full day of holiday pay while other employees receive only a proportionate amount of holiday pay. Adherence to the county’s established policy is necessary to ensure proper compensation and equitable treatment among employees.

The County Commission needs to re-evaluate certain aspects of its personnel policies to ensure clarity. In addition, if inconsistent application of policies or instances of noncompliance with established policies are identified, timely action should be taken to determine the cause and rectify the problems. Improved oversight of the payroll process is necessary and could be better accomplished, at least in part, by requiring the County Clerk to maintain centralized records of leave and compensatory time.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND the County Commission:

A. Develop written policies that provide clear guidance as to when compensatory time can be earned.

B. Require the County Clerk maintain centralized records of vacation leave, sick leave and compensatory time earned, taken, and paid for all county employees.

C. Maintain complete personnel files for each county employee, including current authorizations for payroll deductions and payments.

D. Ensure employee time sheets are signed by applicable supervisors indicating their approval.

E. Ensure part-time employees are compensated for holiday pay in accordance with county policy.

AUDITEE'S RESPONSE

A. We will address this issue in the next calendar year.

B. We will attempt to centralize records for leave with the cooperation of all officeholders.

C&D. These recommendations have been implemented.

E. We will monitor the situation and with the cooperation of all officeholders, ensure county policy is followed.

3. General Fixed Asset Records and Procedures

The County Clerk maintains a computerized listing of general fixed assets held by county officials. Our review of these records and related procedures indicate improvements are needed to ensure the general fixed asset records are complete.

Additions and dispositions of fixed assets are generally recorded annually when the physical inventory is performed. Although the County Clerk conducts an annual inventory of general fixed assets, inventory procedures consist of providing various offices with the previous year's general fixed asset list and relying on those offices to provide applicable additions and deletions information. The County Clerk does not reconcile general fixed asset purchases to additions to the general fixed asset inventory in order to verify changes to the records. In addition, formal disposition approval and documentation procedures are not in place.

These problems have resulted in general fixed asset records which are not complete and accurate. We noted approximately $224,400 in equipment purchased, land acquired, and capital improvements made during the audit period that were not recorded on the fixed asset listing. Among the equipment purchased and not recorded on the fixed asset listing was a vehicle (federal surplus property) purchased from the State Agency for Surplus Property. We also noted several instances where information such as model, serial number, date of purchase, and/or cost were not recorded on the listing.

Recording additions as they occur would allow for a more complete and up-to-date records and would allow the physical inventory to be used as a check against the fixed asset records. Written authorization for the disposal of property is necessary to lessen the possibility of misuse and to provide adequate support for changes to the general fixed asset records. Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal control over county assets, and provide a basis for determining proper insurance coverage.

WE RECOMMEND the County Clerk establish procedures to ensure fixed asset purchases and dispositions are properly recorded on the general fixed asset records as they occur, periodically reconcile asset purchases to the fixed asset records additions, work with the County Commission to establish a formal method of disposing of general fixed assets, and ensure the fixed asset records provide a detailed description of each item.

AUDITEE'S RESPONSE

We will attempt to maintain fixed asset records on a more current basis and establish procedures to properly handle additions and dispositions.

4. Public Administrator Controls and Procedures

The Public Administrator acts as the court appointed personal representative for wards of the Associate Circuit Division (Probate Court) and is responsible for receiving, disbursing, and accounting for the assets of those individuals. During the two years ended December 31, 1998, the Public Administrator had responsibilities for approximately thirty wards. Of these wards four had assets exceeding approximately $50,000 (larger estates); whereas, the assets of other wards ranged from approximately $650 to $30,000 (smaller estates).

A. The Public Administrator maintains records of tasks performed and the related hours worked, mileage driven, and other costs incurred (i.e., telephone calls) for each of her wards. As compensation for these services the Public Administrator receives fees paid from each ward's estate.

   The Public Administrator receives fees from estates each year upon approval of the Associate Circuit Judge. The Public Administrator charges $20 per hour on most cases; however, larger estates were charged a fee based on a percentage, ranging from

2 to 4 percent, applied to the value of the estate assets. For 1998 and 1997 fees, we compared fees actually taken for larger estates on the percentage basis to the estimated fee amount using the hourly rate method (calculated by extending hours worked according to the Public Administrator's records by the $20 per hour rate). This comparison showed that fees were significantly more using the percentage rather than hourly basis. For example, fees actually taken on a percentage basis from one of the larger estates totaled approximately $12,260 during the two years ended December 31, 1998, whereas fees calculated on an hourly basis would have been approximately $4,095. For the other larger estates there were also significant differences between percentage basis fees and hourly basis fees. A review of fees charged to smaller estates revealed that in most cases the fees charged would have been significantly lower had a percentage basis rather than an hourly basis been utilized. For the larger estates we also noted the percentages applied varied among estates and between years for the same estate.

The Associate Circuit Judge does not determine the fee method or percentages to be used, but does approve fees taken by the Public Administrator.

To ensure all estates are treated equitably the Public Administrator should work with the Associate Circuit Judge to develop a fee policy. If the current practice is continued, criteria should be established for determining which method (percentage or hourly) should be used as a basis for fees when cases are assigned to the Public Administrator and the policy should address the allowable rate per hour and percentages considered appropriate.

B. During our review of one estate's annual settlements for the periods ending April 3, 1997 and 1998, we noted the value of assets reported on the annual settlement prepared by the estate's attorney was approximately $50,000 less than the value of the assets reported on the Public Administrator's annual report and request for compensation. It appears the value of the estate's assets indicated on the annual settlement has not been updated since the case was opened in 1995.

Settlements filed by the Public Administrator should provide complete and accurate reports of the applicable estate’s assets.

C. The Public Administrator maintains an office, case files, and records in her home which is located approximately ten miles northwest of Maryville. Mileage, travel time, and toll calls incurred in performing various tasks (such as visits, banking, and shopping) are charged to wards living in Maryville. The County Commission has made office space available to the Public Administrator in the Courthouse Annex for three days per week; however, this space is also used two days each week by other offices. The Public Administrator believes this office space does not provide the privacy or security necessary for case records.

The County Commission should work with the Public Administrator to evaluate added costs assessed to wards as a result of the current working arrangement and continue to pursue the possibility of providing the Public Administrator with a permanent and secure office location in the courthouse or annex.

WE RECOMMEND:

A. The Public Administrator and Associate Circuit Judge establish fee guidelines that will ensure all estates are charged fees in an equitable manner.

B. The Public Administrator ensure accurate values of estate assets are presented on annual settlements.

C. The County Commission work with the Public Administrator to evaluate the costs to wards associated with the current working arrangement and the potential benefits of providing suitable office space.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

A. I will present a percentage chart to the Associate Judge and will try to come up with something fair and suitable.

B. This recommendation has been implemented.

C. I have been trying for over six years to accomplish this.

The Associate Circuit Judge provided the following response:

A. I plan to issue a Probate advisory relating to compensation of guardians, conservators, and attorneys. Although some revision may be necessary, it will be fairly close to the following:

Section 475.265, RSMo, provides that guardians and conservators shall be allowed compensation "as the court shall deem just and reasonable." The same section also authorizes "reasonable attorney fees if the employment of an attorney. . . is necessary." What is just and reasonable under the circumstances will vary widely from case to case. However, this court will give the following information for some guidance.

1. Attorneys

A. Compensation will be allowed on a timely basis at the attorney's hourly charge, but not to exceed $150 per hour.

B. Applications should be documented itemizing the dates, nature of the service and time incurred. If the guardian/conservator joins in the application, the application will ordinarily be granted without a hearing.

C. In lieu of submitting an itemized application for services in commencing an uncontested guardianship/conservatorship, including preparing the application, hearing and inventory a flat fee of $350 will ordinarily be allowed.

2. Guardians

Guardians will ordinarily be compensated on a per hour basis. An hourly charge not exceeding $20 will ordinarily be considered as reasonable. Services rendered by the guardians should not duplicate those provided by institutions when the ward is in an institution, nor should charge be made for those services typically rendered by family members if the ward is a member of the guardian's family.

3. Conservators

A. Conservators may be compensated on an hourly basis the same as guardians.
B. As an alternative to compensation on an hourly basis the conservator may apply for compensation based on the size of the estate. Annual compensation for the conservator may be calculated by applying the statutory schedule for personal representatives (Section 473.153, RSMo) to the income for the year or to expenditures for the year, whichever is greater.

The County Commission provided the following response:

C. We will consider this recommendation; however, we believe the working space currently provided is suitable and could be utilized to reduce these added costs.

5. Associate Division's Accounting Controls and Procedures

The Associate Division processes receipts for civil cases, criminal cases, traffic tickets, and bonds. We noted the following concerns regarding Associate Division operations:

A. Disbursements to the state, county, and other applicable parties for fees collected are untimely. For the two years ended December 31, 1998, we noted time lags between the month the fees were received and the date they were distributed frequently exceeded one month. In late 1998 and early 1999 the time lags increased and some monies had not been disbursed for two to four months after the month of receipt.

County officials have indicated that the time lag problem has increased even more during 1999.

State law requires that all fees collected by the Associate Clerk for court cases be distributed monthly to the state and county treasurer.

B. Monthly listings of open items (liabilities) and formal bank reconciliations are not prepared on a timely basis for the Associate Division bank account.

To ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities, monthly listings of open items should be prepared by the court and reconciled to the reconciled cash balance. In addition, failure to prepare formal bank reconciliations on a timely basis increases the risk that errors or irregularities will not be detected. Any discrepancies found should be investigated and resolved on a timely basis.

WE RECOMMEND the Associate Division:

A. Distribute fees on a monthly basis.

B. Prepare a listing of open items and bank reconciliation on a monthly basis, and ensure the total open items reconciles to the cash balance.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following response:

Regarding the above matter, the Associate Division of the Nodaway County Circuit Court shares your concerns. Employees of the office have been informed that the situation is not tolerable. The clerk who previously had accounting responsibilities for the office (reconciling the bank account and open items, making monthly reports, and the monthly disbursements) retired in late 1996, resulting in a reassignment of those responsibilities.

A number of factors, including inexperience and unfamiliarity with accounting procedures, increasing case load, the press of other office matters, and difficulty with reconciling open items, have contributed to the present state of delinquent reporting and disbursement. Last week (August 18, 1999) the February 1999 report was completed and money disbursed. I am informed that we are close to completing the March report and disbursement.

This is to advise that the following remedies are being utilized:

1. Accounting personnel at the Office of State Courts Administrator (OSCA) have been contacted and help requested. An accounting representative from OSCA is to be on-site the week of September 13, 1999, to:

A. Help us complete delinquent reports so as to bring us current in reporting and disbursement.
B. Help us move to an automated system (Excel) to track and account for open items each month.
C. Help personnel to understand and use appropriate accounting principles.

2. *The Associate Division of this Court did, on August 11, 1999, sign a one year agreement, effective October 1, 1999, to utilize the Fine Collection Center program. This started as a pilot program in Boone and Callaway counties on July 1, 1999. This office processes between 3,600 - 4,000 traffic tickets per year. Accounting wise, this accounts for about 300 receipts each month. Preliminary statistics show that about 70 percent of the tickets written are being processed through the Fine Collection Center, rather than the local court offices. If these figures hold true for Nodaway County, it will obviously reduce our accounting workload. Of course, payment to the Fine Collection Center will be disbursed back to the county as required by law. We are hopeful this will somewhat ease the accounting burden.*

6. Sheriff's Accounting Controls and Procedures

The Sheriff's Department maintains a bank account for both general receipts and for board of prisoner receipts. Our review noted the following concerns:

A. Receipts pertaining to both the general and board of prisoners accounts were not deposited on a timely basis. Bank deposits are made approximately three to four times a month into both bank accounts. We reviewed deposits for one month each year during the audit period for each account and noted that deposits averaged approximately $2,600 and $1,000 for the general account and the board of prisoner account, respectively.

   To adequately safeguard monies and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

   A similar condition was noted in the prior report.

B. Accounting duties are not adequately segregated. Currently, the responsibilities of collecting, recording, and depositing receipts, performing month-end reconciliations, and preparing and signing checks are assigned to one employee. There is no documented independent review of the accounting records and reconciliations.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, due to limited staff available, the Sheriff should at least compare bank deposits with recorded receipts. Proper supervision by the Sheriff and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

WE RECOMMEND the Sheriff:

A. Require monies be deposited daily or when accumulated receipts exceed $100.

B. Adequately segregate the record keeping duties or perform and document periodic reviews of the accounting records.

AUDITEE'S RESPONSE

A. We will attempt to follow this recommendation. If significant monies are collected, a deposit will be made. Small amounts of money may be held over if time will not permit a deposit to be made. In any case, if monies are kept on hand they will be adequately secured and locked in a vault.

B. Accounting records will be reviewed and I will initial the records to document my review.

7. Assessor's Controls and Procedures

The Assessor's office collects monies for maps and photocopies. Our review of the Assessor's controls and procedures revealed the following concerns:

A. The Assessor does not transmit receipts to the County Treasurer intact. Some cash receipts are retained for use as a change fund and as petty cash for expenditures of the office; however, the change/petty cash fund is not maintained at a constant amount and no documentation of expenditures is retained. Transmitting receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts. If a change/petty cash fund is determined to be necessary, it should be maintained at a constant amount. In addition, a log of petty cash transactions including receipts for expenditures should be maintained.

B. Checks and money orders received are not restrictively endorsed immediately upon receipt. We noted endorsements were applied at the time receipts were turned over to the County Treasurer. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

C. The Assessor does not file monthly reports of fees with the County Commission. Section 50.370, RSMo 1994, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

WE RECOMMEND the Assessor:

A. Transmit all monies received to the County Treasurer intact. The composition of checks and cash received should be reconciled to the composition of amounts turned over to the County Treasurer. In addition, if a change/petty cash fund is needed it should be maintained at a constant amount and documentation to support expenditures retained.

B. Restrictively endorse all checks and money orders immediately upon receipt.

C. File monthly reports of fees in accordance with state law.

AUDITEE'S RESPONSE

We will attempt to comply with all the recommendations noted above.

8. County Clerk's Controls and Procedures

The County Clerk's office collects monies for clerk fees, plat books, notary fees, liquor licenses, auctioneer licenses, voter registration lists, and maps. Our review of the County Clerk's controls and procedures revealed the following concerns:

A. Prenumbered receipt slips are not issued for some monies received in the County Clerk's office. To account for monies received, prenumbered receipt slips should be issued for all monies received. Issuing prenumbered receipt slips is necessary to ensure proper recording of receipts.

B. The County Clerk files monthly reports of fees with the County Commission; however only notary fees and clerk fees received from the Ex-Officio Collector are listed on these reports. Other monies received by the County Clerk are not included on the monthly reports. To give an accurate representation of fees collected by the County Clerk's office, all fees should be included on the monthly report of fees collected.

WE RECOMMEND the County Clerk:

A. Issue receipt slips for all monies received.

B. Include all monies received on the monthly reports of fees collected.

AUDITEE'S RESPONSE

A. If monies are received in my office and the County Treasurer is available these monies will be immediately turned over to that office and a receipt slip obtained. If the County Treasurer is not available a receipt slip will be issued by my office.

B. All monies receipted by my office will be included on the monthly report.

9. Senate Bill 40 Board

The Senate Bill (SB) 40 Board receives approximately $90,000 in property taxes annually. Most expenditures made by the SB 40 Board are to a local sheltered workshop. Our review of the SB 40 Board's financial reporting procedures noted the following concerns:

A. Actual expenditures exceeded budgeted amounts for the for the year ended December 31, 1998 by $5,853. It was ruled in State ex rel. Strong V. Cribb 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cumulative Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

B. The SB 40 Board's budgets are not complete. The budgets do not include a comparative statement of actual receipts and disbursements for the two previously completed fiscal years, and the beginning and ending cash balance information provided was inaccurate or not provided. In addition, the SB 40 Board did not perform a reconciliation of prior year's beginning cash, receipts, and disbursements to the ending cash balance.

   Amounts for the two previous years provide comparative information to help evaluate the reasonableness of the budget estimates for the upcoming year and the preparation of the cash reconciliation would help ensure the accuracy of cash balance information presented. In addition, Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year.

WE RECOMMEND the Senate Bill 40 Board:

A. Ensure the annual budget includes reasonable estimates of expenditures and keep expenditures within budgetary limits. Extenuating circumstances should be fully documented and budgets properly revised.

B. Ensure budgets are complete and accurate.

AUDITEE'S RESPONSE

The Senate Bill 40 Board President provided the following responses:

A. *We are currently monitoring the budget more closely and will amend the budget if necessary.*

B. *This recommendation will be implemented.*

This report is intended for the information of the management of Nodaway County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Nodaway County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 4 is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. County Expenditures and Contracts

   A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases.

   B. The road and bridge supervisor used a county truck for commuting to and from work. The county did not report the commuting mileage on the employee's W-2.

   C. The county disbursed approximately $30,000 to various not-for-profit organizations. There was not adequate documentation to support the particular goods or services provided to the county or to clearly show that public funds were expended for public purposes within the scope of its authority.

   D. The county did not always update or renew contracts on a timely basis.

   E. The county did not receive approximately $2,900 in juvenile officers' salary reimbursement from Worth County for the month of December 1996.

   Recommendation:

   The County Commission:

   A. Solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

   B. Comply with IRS guidelines for reporting fringe benefits relating to county-provided vehicles.

   C. Refrain from making contributions of public funds. If the County Commission desires to purchase specific goods or services, it should ensure such monies are spent for county-provided services and enter into written contracts which specifically state services to be provided to the county and provide a means of monitoring the expenditures.

D. Maintain current, written contracts with all entities with which the county does business.

E. Review and follow up on juvenile salary reimbursements. In addition, request the December 1996 salary reimbursement from Worth County.

Status

A, C, & E. Implemented.

B. Partially implemented. The road and bridge supervisor did submit a report of personal miles driven in the county vehicle; however, this fringe benefit was not reported by the county on his W-2. Although not repeated in our current MAR, our recommendation remains as stated above.

D. Partially implemented. The county farm lease arrangement was rebid in 1999 and a current, written contract was obtained. A current contract has not been obtained with the Nodaway County Economic Development Council (NCEDC); however, the NCEDC submits annual proposals to the county documenting its funding request. The County Commission approves these requests during the budget preparation process, and monitors the NCEDC's use of these funds to ensure compliance with the approved proposal. Although not repeated in our current MAR, our recommendation remains as stated above.

2. Budgetary and Reporting Practices

A. Actual expenditures exceeded approved budgeted expenditures for some funds.

B. Formal budgets were not prepared for various county funds. Additionally, budgets were prepared for some funds, but were not filed with the State Auditor's office.

C. Actual beginning and ending cash balances were not always accurately reflected on county budgets and the cash reconciliation portion of the budget was not completed for various funds.

D. The annual published financial statements of the county did not include the financial activity of some county funds.

Recommendation:

The County Commission:

A. Not authorize warrants in excess of budgeted expenditures.

B. Ensure budgets are obtained or prepared for all county funds and filed with the State Auditor's office.

C. Prepare more complete and accurate budgets.

D. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status

A&B. Partially implemented. Although some funds were overspent, not budgeted, or not filed with the State Auditor's office, we noted improvements in these areas. Although not repeated in our current MAR, our recommendations remain as stated above.

C. Implemented.

D. Not implemented. See MAR No. 1.

3. Personnel Policies and Procedures

A. The county had not established a formal written leave policy for all county employees.

B. County employees were required to prepare and submit time sheets to the County Clerk; however, the County Clerk's office did not maintain records of vacation leave, sick leave, and compensatory time earned or subsequently taken.

Recommendation:

The County Commission:

A. Establish a formal comprehensive written policy regarding vacation, sick leave, and compensatory time for all employees.

B. Require the County Clerk maintain centralized records of vacation leave, sick leave and compensatory time earned, taken, and paid for all county employees.

Status

A. Partially implemented. The county has revised the personnel manual to include a leave policy; however, the policy still does not address all issues related to compensatory time. See MAR No. 2.

B. Not implemented. See MAR No. 2.

5. Cemetery Funds

A. Annual reports were not filed with the County Commission by some cemetery boards. In addition, annual reports were not filed by the County Commission with the Circuit Court showing in detail the manner in which said trust funds had been managed.

B. A record of receipts and disbursements of each trust fund and a detailed account of the management of the same were not maintained by the County Clerk.

Recommendation:

The County Commission:

A. Require each cemetery board to file an annual report with the Commission. In addition, the County Commission should file an annual report with the Circuit Court detailing the management of each nonexpendable cemetery trust fund.

B. Require the County Clerk to maintain a record of the receipts and disbursements of cemetery funds.

Status

A&B. Not implemented. Although not repeated in our current MAR, our recommendations remain as stated above.

6. Recorder of Deeds' Procedures

Receipts were not deposited intact. Cash refunds were made without adequate documentation.

Recommendation:

The Recorder of Deeds deposit all monies intact. In addition, all refunds should be made by check or documentation should be maintained to properly support all noncheck disbursements.

Status

Partially implemented. While the Recorder of Deeds has begun documenting most cash refunds, we noted some instances where cash refunds were not documented. Although not repeated in our current MAR, our recommendation remains as stated above.

7. Sheriff's Procedures

A. Monthly statements for prisoner board bills prepared by the Sheriff's office stated payments were to be made to the Nodaway County Sheriff, who then remitted the applicable monies monthly to the county.

B. Receipts pertaining to both the general and board of prisoners accounts were not deposited on a timely basis.

Recommendation:

The Sheriff:

A. Ensure billing statements stipulate that payments be made directly to the County Treasurer. The Sheriff should compare copies of the County Treasurer's receipts to the board billings on a regular basis.

B. Require monies be deposited daily or when accumulated receipts exceed $100.

Status

A. Not implemented. Although not repeated in our current MAR, our recommendation remains as stated above.

B. Not implemented. See MAR No. 6.

8. Health Center

A. The Board of Trustees approved expenditures totaling $46,551 in excess of budgeted amounts for the year ended December 31, 1996.

B. Vacation and sick leave records were not always accurate. Errors in recording leave and computing leave balances resulted in an apparent $211 overpayment to a former employee.

C. The board obtained an 800 telephone number. A board member was a representative for one of the companies contacted. Board minutes indicated the service was bid; however, the minutes provide no details on the bids or this board member's involvement.

Recommendation:

The Health Center Board of Trustees:

A. Not authorize expenditures in excess of budgeted expenditures.

B. Ensure accurate vacation and sick leave records are maintained and periodically reviewed for accuracy. Consider contacting the former employee regarding the overpayment of the $211.

C. Examine transactions closely to identify and avoid apparent and actual conflicts of interest. Board members who have a conflict of interest should fully disclose their interests and abstain from voting on matters which involve them personally. Such matters and transactions should be completely documented so that the public has assurance that no board member has profited improperly. In addition, the health center should consider establishing a formal conflict of interest and financial disclosure policy.

Status

A&C. Implemented.

B. Partially implemented. Improvements in the records were noted; however, no effort was made to recoup the $211 overpayment.

9. Associate Circuit and Probate Divisions' Accounting Controls

The duties of receiving, recording, and distributing receipts were not adequately segregated.

Recommendation:

The Associate Division Judge ensure the duties of receiving, recording, and distributing receipts are adequately segregated. If duties cannot be adequately segregated, a supervisory review of the work performed should be performed and documented on a timely basis.

Status

Partially implemented. While the Associate Division Judge is doing some supervisory reviews of the court clerk's work, we still noted concerns with some procedures. See MAR No. 5.

10. Senate Bill 40 Board

A. Formal budgets were not prepared by the SB 40 Board and filed with the State Auditor's office for the years ended December 31, 1996, 1995, and 1994.

B. The contract between the sheltered workshop and the SB 40 Board did not address additional payments for equipment nor does it include written criteria to enable the board to evaluate whether the additional services received were commensurate to the extra payments made. The SB 40 Board did not require the sheltered workshop to formally bid or retain bid documentation for these large purchases.

C. Various financial records for the SB 40 Board could not be found.

Recommendation:

The Senate Bill 40 Board:

A. Ensure budgets are prepared for the Senate Bill 40 Fund and filed with the State Auditor's office as required by state law.

B. Require the sheltered workshop to solicit formal bids for all large purchases funded by the SB 40 Board and revise its current contract to account for additional payments for equipment.

C. Retain records in a secure location in accordance with state law.

Status

A. Partially implemented. Budgets were prepared by the SB 40 Board; however, they were not filed with the State Auditor's office. Although not repeated in our current MAR, our recommendation remains as stated above.

B. Implemented.

C. Partially implemented. All records were retained except for one book of unused checks that could not be located. Although not repeated in our current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

NODAWAY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Nodaway was named after the Nodaway River. Nodaway County is a township-organized, third-class county and is part of the Fourth Judicial Circuit. The county seat is Maryville.

Nodaway County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Nodaway County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 101,140	2	101,783	2
Sales taxes	1,481,847	35	1,483,595	33
Federal and state aid	1,618,129	38	1,632,777	36
Fees, interest, and other	1,068,702	25	1,287,839	29
Total	$ 4,269,818	100	4,505,994	100

The following chart shows how Nodaway County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 1,378,712	36	1,180,394	33
Public safety	782,664	21	691,778	19
Highways and roads	1,660,216	43	1,753,262	48
Total	$ 3,821,592	100	3,625,434	100

The county and townships maintain approximately 450 county bridges and 1,250 miles of county roads.
::

The county's population was 22,467 in 1970 and 21,709 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 111.5	108.4	95.6	55.8	40.7
Personal property	57.2	54.6	32.3	24.6	11.6
Railroad and utilities	14.3	13.7	9.6	11.5	11.4
Total	$ 183.0	176.7	137.5	91.9	63.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Nodaway County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
Health Center Fund	$ .05	.05
Senate Bill 40 Board Fund	.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 59,540	54,270
General Revenue Fund	10,632	14,779
Township Road and Bridge Fund	778,788	756,112
County Road and Bridge Fund	92,878	88,266
Assessment Fund	121,497	116,707
Health Center Fund	92,276	89,579
Senate Bill 40 Board Fund	92,241	89,541
School districts	7,753,715	7,374,163
Ambulance district	315,809	305,961
Fire districts	142,887	134,282
Watershed districts	20,044	22,014
Road Bonds	168,545	106,767
Townships	90,416	89,983
Cities	966,954	943,273
County Clerk	172	156
County Employees' Retirement	19,273	18,736
Other	11,824	7,540
Commissions and fees:		
Township Collectors	84,749	82,020
EOC Commissions	2,188	2,053
General Revenue Fund	61,807	56,568
Total	$ 10,886,235	10,352,770

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	95.0 %	95.9 %
Personal property	94.4	93.8
Railroad and utilities	100.0	100.0

Nodaway County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	50
General		0.005	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			
Lester Keith, Presiding Commissioner	$	20,000	20,000
Wayne Nelson, Associate Commissioner		20,000	20,000
Larry Dougan, Associate Commissioner		20,000	20,000
Donna Carmichael, Recorder of Deeds		32,500	32,500
John Zimmerman, County Clerk		30,000	30,000
David Baird, Prosecuting Attorney		37,000	37,000
Ben Espey, Sheriff		38,000	38,000
Thomas Scarbrough, County Coroner		6,417	N/A
Dennis Martin, County Coroner		555	5,221
Earl Sibert, County Coroner		N/A	583
Margaret Cordell, Public Administrator *		37,929	48,286
Mary Noel, Treasurer and Ex Officio County Collector, year ended March 31,**	43,734	43,677	
Pat Nelson, County Assessor, year ended August 31,***		41,900	34,300

* Includes $29,929 and $40,286 in fees received from probate cases in 1998 and 1997, respectively.

** Includes $2,180 and $2,123 in annual commissions relating to collections of taxes for various cities in Nodaway County for the years ended March 31, 1999 and 1998, respectively.

*** Includes $900 annual compensation received from the state.

State-Paid Officials:		
Pat O'Riley, Circuit Clerk	42,183	40,176
Glen Dietrich, Associate Circuit Judge	85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Number of Employees Paid by

Office	County	State
County Commission	2 *	0
Circuit Clerk	0	3 *
Recorder of Deeds	2	0
County Clerk	1	0
Prosecuting Attorney	3 *	0
Sheriff	24 **	0
Treasurer and Ex Officio County Collector	2 ***	0
County Assessor	5 *	0
Associate Division	0	2
Probate Division	0	1
Road and Bridge	8	0
Health Center	10 ***	0
Total	57	6

* Includes 1 part time employee

** Includes 4 part time employees

*** Includes 2 part time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Nodaway County's share of the Fourth Judicial Circuit's expenses is 48.8 percent.

AUDIT REPORT

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
AND
DEPARTMENT OF HEALTH
SPECIAL REVIEW OF THE
HOME HEALTH CARE EXPENDITURES

From The Office Of State Auditor
Claire McCaskill

Report No. 99-74
September 9, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

FACT SHEET

The National State Auditor's Association is currently conducting a joint audit of home health care related issues. The Missouri State Auditor's Office is participating in this joint audit. The following findings were noted during our review of home health care issues at the Department of Health and expenditures for home health care services from the Medicaid Program administered by the Department of Social Services, Division of Medical Services.

The State Auditor recommended improvements be made to the Department of Health's home health agency inspection process. The state's Department of Health is responsible for licensing and inspecting all home health agencies. If deficiencies are noted during the inspections, follow-up procedures are performed to ensure that deficiencies are corrected. The auditor noted instances where deficiencies noted during a state inspection were supposedly corrected during the follow-up visit but some of the same deficiencies were again cited within four to ten months after the follow-up visit was performed.

The State Auditor's review also found that department records did not adequately document the procedures performed to determine that the deficiency was actually corrected. Instances were noted where the department concluded deficiencies had been corrected even though additional exceptions were noted during the follow-up visit. It appears the department's criteria for determining if a deficiency is corrected is flawed.

The State Auditor's review noted individual plans of care were not always signed by the physician, were signed by the physician but not within the time frames required by federal and state regulations, or were not dated by the physician. In addition, verbal orders from the physician were not always properly documented by the attending nurse or therapist. This documentation is necessary to ensure compliance with state and federal regulations and to ensure necessary and appropriate care is being provided. In a test of claims, the auditor noted approximately $66,000 in claims paid when the documentation was deficient.

Home health services provide medical treatment or supervision to individuals with acute illness, or an exacerbation of a chronic or long term illness, which can be therapeutically managed at home. These services include nursing services, home health aid services, physical therapy, occupational therapy, or speech pathology services provided by a home health agency based on a physician's written plan of care.

Home health agencies are licensed with and inspected by the state's Department of Health. The state pays for services to eligible recipients through the state's Medicaid Program. The Department of Social Services, Division of Medical Services, is responsible for ensuring claims are properly paid under this program. During the year ended June 30, 1998, the state processed home health care claims which totaled approximately $8.5 million.

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
AND
DEPARTMENT OF HEALTH
SPECIAL REVIEW OF THE
HOME HEALTH CARE EXPENDITURES

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Maureen E. Dempsey, M.D., Director
Department of Health
and
Gary J. Stangler, Director
Department of Social Services
and
Gregory A. Vadner, Director
Division of Medical Services
Jefferson City, MO 65102

We have conducted a special review of home health care expenditures of the Medicaid Program administered by the Department of Social Services, Division of Medical Services, and the Department of Health. The objectives of this review were to:

1. Determine whether the services billed for clients by the providers are properly authorized, approved, allowable, and provided.

2. Determine whether providers are meeting state licensure/certification requirements and if those requirements are sufficient.

3. Determine the adequacy of the complaints/monitoring process for service providers.

4. Determine whether procedures are in place to ensure that quality care is provided to clients.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed applicable personnel and inspected relevant records and reports of the Department of Health (DOH) and the Department of Social Services - Division of Medical Services (DMS), and various home health care agencies providing such services.

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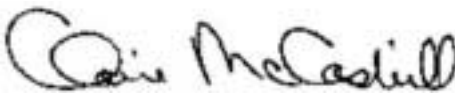
As part of our review, we considered the DOH's and DMS's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed the control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain policies and procedures.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Background Information is presented for information purposes. This information was obtained from the Department of Health and the Department of Social Services, Division of Medical Services, and was not subject to the procedures applied in the review of home health care expenditures.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of home health care expenditures.



Claire McCaskill
State Auditor

April 30, 1999 (fieldwork completion date)

BACKGROUND INFORMATION

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
AND
DEPARTMENT OF HEALTH
SPECIAL REVIEW OF HOME
HEALTH CARE EXPENDITURES

BACKGROUND INFORMATION

Home health services provide medical treatment or supervision to individuals with an acute illness, or an exacerbation of a chronic or long term illness, which can be therapeutically managed at home. These services include nursing services, home health aide services, physical therapy, occupational therapy, or speech pathology services provided by a home health agency on the physician's orders as part of a written plan of care that the physician reviews at least every 60 days. To participate in the state's Medicaid Program, the home health agency must be currently licensed with the Department of Health, be Medicare certified, and have a current Missouri Medicaid provider agreement with the Department of Social Services, Division of Medical Services (DMS). As of June 1998, approximately 280 home health agencies were licensed to provide services to Medicaid eligible recipients.

The Department of Health (DOH) is responsible for ensuring that home health agencies are properly licensed in accordance with federal and state guidelines. Sections 197.440 through 197.445, RSMo 1994, require all home health agencies to be licensed and registered with the department as evidenced by a survey inspection by the department. Survey inspections for agencies in operation for less than 36 consecutive months are required to be inspected at least every 12 months. Agencies that have been in operation for over 36 consecutive months have inspections performed only every 36 months if these agencies meet certain criteria which exempts them from annual inspections.

The DMS is responsible for ensuring all claims for home health care services are reimbursed in accordance with federal and state requirements.

During the fiscal year ended June 30, 1998, the DMS processed 40,959 home health care claims which totaled approximately $8.5 million. In total for the Medicaid Program in fiscal year 1998, approximately 22.7 million claims were paid with expenditures of the program totaling approximately $2.5 billion.

The National State Auditor's Association is currently conducting a joint audit of home health care related issues. The Missouri State Auditor’s office is participating in this joint audit, and, as a result, conducted a special review of the state's home health care expenditures. The findings, comments, and recommendations resulting from this review are presented in the accompanying Management Advisory Report.

MANAGEMENT ADVISORY REPORT

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
AND
DEPARTMENT OF HEALTH

SPECIAL REVIEW OF THE
HOME HEALTH CARE EXPENDITURES
SUMMARY OF FINDINGS

1. Authorizations for Plans of Care (POC) (pages 7-9)

   Individual POCs were not always signed by the physician, were signed by the physician after the certification period started, or were not dated by the physician. In addition, verbal orders from the physician were not always properly documented by the attending nurse or therapist. We noted approximately $66,000 in claims paid when the POC was not properly authorized.

2. Survey Inspection Procedures (pages 9-11)

   The DOH's inspection procedures for ensuring deficiencies are corrected appear inadequate. We noted instances in which deficiencies that supposedly were corrected during a follow up visit were cited again within four to ten months after the follow up was performed. In addition, the survey report did not adequately document the procedures performed to determine that the deficiency was corrected.

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
AND
DEPARTMENT OF HEALTH

SPECIAL REVIEW OF THE
HOME HEALTH CARE PROGRAM

MANAGEMENT ADVISORY REPORT

1. Authorizations for Plans of Care (POC)

The Department of Social Services, Division of Medical Services (DMS) is responsible for ensuring that Medicaid payments to home health agencies (HHAs) are for authorized services provided to Medicaid recipients. The controls over claims processing of home health claims include the following:

- The Missouri Medicaid Information System (MMIS) uses edits to check claim payments to determine if they are for services rendered to eligible recipients by authorized providers and that these claims do not duplicate previous payments to the HHA.

- Home health claims go through an edit that requires review by medical personnel to ensure that a plan of care is on file.

We selected 42 recipients who received frequent home health care services from 5 HHAs. For these 42 recipients we reviewed supporting documentation for nursing, therapy, and home health aide services provided during the period July 1, 1997 through February 28, 1999. This documentation included 324 individual POCs and visit notes which helped support the services claimed.

The Missouri Medicaid Provider Manual requires the POC to indicate the type of services to be provided, be signed and dated by the physician, be reviewed and re-established by the physician at least every 60 days, and the certification period cannot exceed 2 calendar months or 62 days. In addition, there must be a verbal order prior to delivery of the services when services are provided from the beginning of the certification period and before the physician signs the plan of care. The verbal order must be documented, dated, and signed by the nurse or therapist. The physician must sign and date the POC no earlier than ten days before the beginning of the certification period. If the physician omits the date, the home health agency (provider) must enter the date the plan of care was received back from the physician.

During our review of the 324 plans of care for the 42 recipients with claims totaling $250,578, we noted the following problems:

1. Care was provided before the POC was signed and no verbal order was documented for these services. In total, 4 POCs were signed by the physician after the certification period ended. Three POCs were not dated by the attending nurse and 1 POC was dated by the attending nurse after the certification period started.

2. Five of the 324 POCs were signed by the physician more than ten days before the beginning of the certification period.

3. Sixty-three of the POCs were not dated by the physician. Of the 63, 1 was not dated by the HHA. Also, 1 POC was dated by the HHA after the certification period had ended.

4. Seven of the 324 POCs were signed by the attending nurse (indicating a verbal order was given by the physician), however, these POCs were dated two to six months before the certification period started.

5. In 4 instances, changes to treatment on the care plan were not signed by the physician. Instead, an "on file" comment was used in place of the physician's signature.

Documentation of the physicians order for home health services, and appropriate specification of the certification period, is necessary to ensure compliance with the Medicaid Provider Manual and related state and federal regulations, and to ensure necessary and appropriate care is being provided. In total, we noted approximately $66,000 in claims paid when the POC was not properly authorized or dated.

WE RECOMMEND the DMS establish procedures to ensure payments are made for only those home health services supported by a properly authorized care plan. Procedures may include educating home health agencies about the care plan requirements such as physicians signature and date, attending nurses signature and date when a verbal order is given, a certification period for no longer than 62 days, and signature and date on all verbal orders making a change to the original care plan. In addition, the DMS should review the POCs to ensure the required signatures and dates are included before claims are paid.

AUDITEE'S RESPONSE

1. We agree these POCs are out of compliance with Medicaid Home Health Program policy.

We also agree the services provided prior to the date the verbal order was obtained are out of compliance with Medicaid Home Health Program policy. It should be noted, however, that Missouri Medicaid requires the Home Health Agency (HHA) document physician verbal orders in the medical record, not necessarily on the HCFA 485. The Department of Health, Bureau of Home Health and Hospice Licensure and Certification, reviews the medical record for documentation of verbal orders when conducting surveys for licensure and certification. Thus, documentation of verbal order is not reviewed during claims processing.

The auditor did advise there was no other verbal order documentation found in the medical record.

2. *We agree these POCs are out of compliance with Medicaid Home Health Program Policy.*

3. *We disagree with this finding. Medicaid Home Health Program policy allows the date the HHA received the signed plan of care to be used when the physician omits the signature date. Of the 63 plans of care referenced, 56 were in compliance with this policy, 2 were not in compliance (reference below) with this policy, 4 were not available to review, and 1 had no claims in our system with the certification period listed.*

   We agree the POC which was not dated by the HHA was out of compliance with Home Health Program policy.

   We also agree the POC which was dated by the HHA after the certification period ended was out of compliance with Medicaid Home Health Program policy.

4. *We agree these POCs are out of compliance with Medicaid Home Health Program Policy. It should be noted, 5 of the POCs that were reviewed were all from the same HHA. The nurse's signature date is computer generated and is the same date as the "Start Of Care" date shown in field 2 of the HCFA 485. It is apparent this may be a problem with this specific HHA. The HHA will be contacted and given instructions regarding program policy.*

5. *We agree with this finding. These POCs are out of compliance with Medicaid Home Health Program Policy.*

To address the above findings, providers will be educated through a Missouri Medicaid Provider Bulletin regarding Medicaid's requirements for the plan of care, specifically addressing the physician signature and date, documentation of verbal orders, certification period requirements, and interim orders. In addition, Missouri Medicaid's claims processing agent, GTE Data Services, will be provided with copies of the POCs they reviewed which were not in compliance with Medicaid Home Health Program policies to be used in educating their staff.

2. Survey Inspection Procedures

The Department of Health (DOH) is responsible for performing the initial and follow up survey inspections of all home health agencies for certification into the Medicare Program and is responsible for ensuring all home health agencies are properly licensed for operation within the state. After the DOH identifies state and federal deficiencies during its survey inspection, the home health agencies are allowed to respond with a plan of correction for the deficiencies. After the DOH approves the plan of correction, the HHA is re-certified and licensed. Another visit is scheduled with the home health agency to ensure compliance with the plan of correction. During our review of the DOH's survey inspection follow-up procedures, we noted the following concerns:

A. The DOH needs to improve procedures to ensure deficiencies are corrected. We reviewed 30 home health agencies and noted 7 HHAs had a total of 12 deficiencies that supposedly were corrected during the follow-up visit, but were cited again during a subsequent annual survey. Some deficiencies were cited again within four to ten months after the follow up visit. DOH has the authority to terminate a HHA for deficiencies that endanger the lives of the clients. However, according to DOH, it currently does not have the authority to impose fines or other sanctions. Other sanctions could include decertifying an HHA from participation in the Medicaid Program, or prohibiting an HHA from accepting new clients until the deficiency is corrected. The DOH should seek legislation for the authority to impose stronger actions against HHAs that are cited for repeat deficiencies.

B. 1) During the follow up visit to the home health agency, the DOH reviews a significantly smaller number of clinical records. The DOH indicates that a significantly smaller number of records is often reviewed, because Medicare regulations allow the DOH to only review services provided since the survey and only records related to the deficiency cited.

If the majority of the records reviewed in the follow up visit are in compliance with federal and state regulations or established standards, the DOH concludes the deficiency has been corrected. For example, in one survey inspection we reviewed, the DOH found 11 exceptions (for the standard which requires drugs and treatments be administered by the HHA staff only as ordered by the physician) out of 25 records reviewed during an annual survey. During the follow-up survey four months later, the DOH reviewed five clinical records and found one still contained the deficiency. The DOH concluded the deficiency was corrected. In another survey, the DOH found 15 exceptions (for the standard which requires care to follow a written plan of care established and periodically reviewed by a doctor of medicine, osteopathy, or pediatric medicine) out of 25 reviewed during an annual survey. During the follow-up survey four months later, the DOH reviewed five clinical records and found two still contained the deficiency. However, the DOH again concluded the deficiency had been corrected.

Based on the results of these surveys and the number of times the HHAs are cited for the same deficiencies in subsequent survey inspections, the DOH should establish procedures to ensure a more representative sample of records are reviewed during the follow-up visit. In addition, the DOH should re-evaluate the criteria used to determine when a HHA is in compliance with the established standards and regulations.

2) We also noted the survey report or other documents did not adequately document procedures performed to support DOH's conclusion that deficiencies were corrected. Although the reports would indicate the number of records reviewed and restate the deficiency, there was no documentation to

indicate which records were reviewed, which had problems noted, or how the conclusion was reached.

Without adequate documentation, there is no assurance that DOH adequately reviewed the records for compliance with state and federal regulations or established standards.

WE RECOMMEND the Department of Health:

A. Seek legislation for the authority to impose stronger actions against HHAs that are cited for repeat deficiencies.

B.1. Establish procedures to ensure a more representative sample of records are reviewed during the follow-up visit. In addition, the DOH should re-evaluate the criteria used to determine when a HHA is in compliance with the established standards and regulations.

2. Establish procedures to adequately document procedures performed to support DOH's survey inspections and conclusions.

AUDITEE'S RESPONSE

A. The recommendation to seek legislation for the authority to impose stronger actions against HHAs that are cited for repeat deficiencies will be referred to Department management for discussion/decision. The recommendation will also be placed on the agenda for discussion with the Home Health Advisory Council at their next meeting.

B. The procedure for conducting state licensure follow-up surveys, and for supporting documentation of conclusions made for follow-up survey activity, will be reviewed and revised to ensure adequate records are reviewed for compliance in the deficient area.

This report is intended for the information of the department's and the division's management and other applicable state government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

STONE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-73
September 7, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

FACT SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Stone, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Stone County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county received fees from the various neighborhood improvement districts as reimbursement of administrative costs incurred by the county. However, the county did not adequately document the amount of actual or estimated costs incurred. In addition, the county withholds one percent from the special assessments paid by the property owners within the neighborhood improvement districts and deposits these withholdings into the Assessment Fund. The audit questioned the statutory authority for these withholdings.

- The county's budgets and published financial statements did not include several funds, including the Neighborhood Improvement Districts Fund. In addition, actual expenditures exceeded budgeted amounts in several funds.

- The Prosecuting Attorney's office did not resolve a cash shortage of $233 noted in the prior audit. In addition, the prosecuting attorney needs to improve its procedures regarding recording and depositing of receipts, bank reconciliations, liability listings, segregation of duties, and transmittal of fees to the county. Many of these concerns had been noted in the prior audit.

Also included in the audit are recommendations regarding road and bridge concerns, officials' salaries and personnel records, and general fixed asset records. The audit also suggested improvements in controls and procedures of the County Collector, County Assessor, Public Administrator, Health Center Board, and Emergency 911 Board.

STONE COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Stone County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Stone County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling $5,305,071 and $9,366,302 in receipts, and $5,942,907 and $6,339,210 in disbursements for the years ended December 31, 1998 and 1997, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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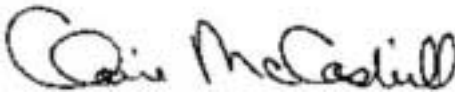
In our opinion, except for the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Stone County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 7, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Stone County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 7, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Stone County, Missouri

We have audited the special-purpose financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 7, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Stone County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Stone County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

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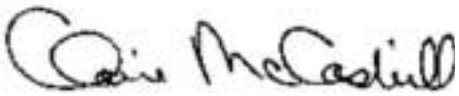
financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Stone County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 7, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	803,995	1,782,117	2,041,337	544,775
Special Road and Bridge		583,769	4,050,451	3,811,226	822,994
Assessment		28,642	362,852	376,257	15,237
Law Enforcement Training		292	2,533	2,825	0
Prosecuting Attorney Training		1,241	1,045	1,114	1,172
Law Enforcement		-31,809	1,983,793	1,852,076	99,908
Law Enforcement Capital Improvement		212,025	9,003	70,855	150,173
Special Road and Bridge Projects		13,061	95,527	113,434	-4,846
Special Road and Bridge Capital Improvement		0	77,487	0	77,487
Recorder User Fee		86,259	36,591	45,117	77,733
Children's Trust/Abuse Victims		2,867	2,745	5,492	120
Seized Property		5,554	184	4,930	808
DARE		1,696	7,064	6,641	2,119
Health Center		473,231	517,570	455,672	535,129
Senior Citizens Service		133,209	139,581	147,198	125,592
Emergency 911		114,613	365,713	155,556	324,770
Circuit Clerk Interest		2,578	3,296	5,229	645
Law Library		12,808	9,113	7,840	14,081
Neighborhood Improvement Districts		3,632,851	5,235,644	5,876,552	2,991,943
Prosecuting Attorney Bad Check		4,626	11,985	8,326	8,285
Prosecuting Attorney Delinquent Tax		3,284	1,689	0	4,973
Law Enforcement Civil Fees		2,846	55,408	57,868	386
Associate Circuit Division Interest		3,845	1,914	161	5,598
Probate Division Interest		654	120	0	774
Total	$	6,092,137	14,753,425	15,045,706	5,799,856

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	255,499	2,057,098	1,508,602	803,995
Special Road and Bridge		466,444	3,720,238	3,602,913	583,769
Assessment		17,179	365,230	353,767	28,642
Law Enforcement Training		2,071	3,215	4,994	292
Prosecuting Attorney Training		183	2,375	1,317	1,241
Law Enforcement		31,308	1,767,651	1,830,768	-31,809
Law Enforcement Capital Improvement		155,704	56,321	0	212,025
Special Road and Bridge Projects		15,306	122,696	124,941	13,061
Recorder User Fee		84,377	38,243	36,361	86,259
Children's Trust/Abuse Victims		0	2,867	0	2,867
Seized Property		2,238	5,327	2,011	5,554
DARE		4,762	2,481	5,547	1,696
Health Center		379,642	475,208	381,619	473,231
Senior Citizens Service		105,455	139,772	112,018	133,209
Emergency 911		0	243,355	128,742	114,613
Circuit Clerk Interest		6,519	3,561	7,502	2,578
Law Library		9,251	7,186	3,629	12,808
Neighborhood Improvement Districts		723,216	9,083,078	6,173,443	3,632,851
Prosecuting Attorney Bad Check		2,999	10,309	8,682	4,626
Prosecuting Attorney Delinquent Tax		1,876	1,408	0	3,284
Law Enforcement Civil Fees		0	13,673	10,827	2,846
Associate Circuit Division Interest		2,153	2,530	838	3,845
Probate Division Interest		525	129	0	654
Total	$	2,266,707	18,123,951	14,298,521	6,092,137

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 342,000	345,897	3,897	336,000	327,397	-8,603
Sales taxes	446,000	463,584	17,584	446,000	445,481	-519
Intergovernmental	243,500	265,127	21,627	182,800	592,718	409,918
Charges for services	568,300	565,832	-2,468	530,600	563,828	33,228
Interest	32,500	49,500	17,000	18,000	44,180	26,180
Other	42,040	92,177	50,137	43,440	83,494	40,054
Total Receipts	1,674,340	1,782,117	107,777	1,556,840	2,057,098	500,258
DISBURSEMENTS						
County Commission	75,300	73,347	1,953	72,400	73,579	-1,179
County Clerk	80,204	75,568	4,636	79,310	76,581	2,729
Elections	134,148	125,606	8,542	107,633	85,593	22,040
Buildings and grounds	81,833	80,813	1,020	83,765	68,684	15,081
Employee fringe benefits	99,582	100,709	-1,127	79,844	82,612	-2,768
County Treasurer	46,654	44,291	2,363	45,712	45,387	325
County Collector	114,554	111,014	3,540	109,407	111,227	-1,820
Ex Officio Recorder of Deeds	85,920	80,515	5,405	81,682	80,277	1,405
Court administration	88,200	153,620	-65,420	70,000	66,175	3,825
Public Administrator	44,725	57,410	-12,685	35,850	29,139	6,711
Insurance and bonds	16,000	13,357	2,643	16,000	13,605	2,395
Extension office	37,400	37,401	-1	37,158	37,401	-243
Computer	35,750	33,715	2,035	18,866	20,244	-1,378
Other	148,978	147,255	1,723	110,664	126,449	-15,785
Planning and Zoning	94,842	84,993	9,849	82,793	80,507	2,286
Transfers out	446,163	462,438	-16,275	390,144	393,345	-3,201
Emergency Fund	25,000	359,285	-334,285	40,000	117,797	-77,797
Total Disbursements	1,655,253	2,041,337	-386,084	1,461,228	1,508,602	-47,374
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,087	-259,220	-278,307	95,612	548,496	452,884
CASH, JANUARY 1	803,995	803,995	0	255,499	255,499	0
CASH, DECEMBER 31	$ 823,082	544,775	-278,307	351,111	803,995	452,884

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 3,500	3,807	307	3,500	3,568	68
Sales taxes	2,260,000	2,368,915	108,915	2,290,000	2,258,619	-31,381
Intergovernmental	1,471,000	1,533,156	62,156	1,319,953	1,412,916	92,963
Interest	25,000	40,559	15,559	19,000	37,117	18,117
Other	5,000	78,564	73,564	5,000	8,018	3,018
Transfers in	14,873	25,450	10,577	0	0	0
Total Receipts	3,779,373	4,050,451	271,078	3,637,453	3,720,238	82,785
DISBURSEMENTS						
Salaries	737,150	702,416	34,734	704,046	695,867	8,179
Employee fringe benefits	176,330	151,409	24,921	153,510	157,174	-3,664
Supplies	155,500	121,081	34,419	156,100	152,382	3,718
Insurance	40,000	38,616	1,384	35,000	38,689	-3,689
Road and bridge materials	1,635,000	1,330,121	304,879	1,620,000	1,364,256	255,744
Equipment repairs	118,000	122,563	-4,563	120,000	123,775	-3,775
Rentals	5,000	0	5,000	4,000	10,475	-6,475
Equipment purchases	433,500	381,486	52,014	150,000	89,829	60,171
Construction, repair, and maintenance	38,000	15,956	22,044	48,000	33,999	14,001
Payments to cities	38,050	38,050	0	38,050	38,050	0
Debt service	805,000	807,400	-2,400	886,000	860,880	25,120
Other	41,565	27,128	14,437	45,100	37,537	7,563
Emergency	25,000	0	25,000	25,000	0	25,000
Transfers out	75,000	75,000	0	0	0	0
Total Disbursements	4,323,095	3,811,226	511,869	3,984,806	3,602,913	381,893
RECEIPTS OVER (UNDER) DISBURSEMENTS	-543,722	239,225	782,947	-347,353	117,325	464,678
CASH, JANUARY 1	582,226	583,769	1,543	461,545	466,444	4,899
CASH, DECEMBER 31	$ 38,504	822,994	784,490	114,192	583,769	469,577

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 289,412	295,450	6,038	256,463	266,492	10,029
Other	9,800	9,765	-35	9,000	8,594	-406
Transfers in	57,637	57,637	0	90,144	90,144	0
Total Receipts	356,849	362,852	6,003	355,607	365,230	9,623
DISBURSEMENTS						
Assessor	385,491	376,257	9,234	372,786	353,767	19,019
Total Disbursements	385,491	376,257	9,234	372,786	353,767	19,019
RECEIPTS OVER (UNDER) DISBURSEMENTS	-28,642	-13,405	15,237	-17,179	11,463	28,642
CASH, JANUARY 1	28,642	28,642	0	17,179	17,179	0
CASH, DECEMBER 31	$ 0	15,237	15,237	0	28,642	28,642

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	2,237	2,237	0	0	0
Charges for services	1,600	71	-1,529	2,400	1,352	-1,048
Transfers in	0	225	225	0	1,863	1,863
Total Receipts	1,600	2,533	933	2,400	3,215	815
DISBURSEMENTS						
Sheriff	1,892	2,825	-933	4,400	4,994	-594
Total Disbursements	1,892	2,825	-933	4,400	4,994	-594
RECEIPTS OVER (UNDER) DISBURSEMENTS	-292	-292	0	-2,000	-1,779	221
CASH, JANUARY 1	292	292	0	2,071	2,071	0
CASH, DECEMBER 31	$ 0	0	0	71	292	221

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,045	1,045	0	1,400	1,037	-363
Transfers in	0	0	0	0	1,338	1,338
Total Receipts	1,045	1,045	0	1,400	2,375	975
DISBURSEMENTS						
Prosecuting Attorney	2,286	1,114	1,172	1,583	1,317	266
Total Disbursements	2,286	1,114	1,172	1,583	1,317	266
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,241	-69	1,172	-183	1,058	1,241
CASH, JANUARY 1	1,241	1,241	0	183	183	0
CASH, DECEMBER 31	$ 0	1,172	1,172	0	1,241	1,241

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 1,400,000	1,442,857	42,857	1,400,000	1,381,609	-18,391
Intergovernmental	155,167	138,995	-16,172	66,400	73,882	7,482
Interest	2,000	2,987	987	2,300	958	-1,342
Other	0	4,731	4,731	15,000	11,202	-3,798
Transfers in	388,526	394,223	5,697	300,000	300,000	0
Total Receipts	1,945,693	1,983,793	38,100	1,783,700	1,767,651	-16,049
DISBURSEMENTS						
Buildings and grounds	117,613	98,830	18,783	116,365	113,348	3,017
Employee fringe benefits	191,047	156,239	34,808	161,284	146,126	15,158
Circuit Clerk	20,571	21,070	-499	16,803	19,340	-2,537
Associate Circuit Court	43,478	31,631	11,847	30,478	28,174	2,304
Court administration	37,807	33,925	3,882	42,207	46,322	-4,115
Other	71,000	60,698	10,302	76,605	65,203	11,402
Sheriff	679,068	695,897	-16,829	565,578	584,322	-18,744
Jail	241,463	256,367	-14,904	232,948	298,888	-65,940
Prosecuting Attorney	191,431	173,425	18,006	174,699	170,685	4,014
Juvenile Officer	63,261	57,932	5,329	56,910	50,803	6,107
County Coroner	15,145	17,740	-2,595	14,130	16,946	-2,816
Debt service	237,000	246,133	-9,133	265,000	237,054	27,946
Emergency	5,000	2,189	2,811	10,000	3,557	6,443
Transfers out	0	0	0	50,000	50,000	0
Total Disbursements	1,913,884	1,852,076	61,808	1,813,007	1,830,768	-17,761
RECEIPTS OVER (UNDER) DISBURSEMENTS	31,809	131,717	99,908	-29,307	-63,117	-33,810
CASH, JANUARY 1	-31,809	-31,809	0	31,308	31,308	0
CASH, DECEMBER 31	$ 0	99,908	99,908	2,001	-31,809	-33,810

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT CAPITAL IMPROVEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 3,000	9,003	6,003	4,000	6,321	2,321
Transfers in	0	0	0	50,000	50,000	0
Total Receipts	3,000	9,003	6,003	54,000	56,321	2,321
DISBURSEMENTS						
Capital improvements	100,000	70,855	29,145	50,000	0	50,000
Total Disbursements	100,000	70,855	29,145	50,000	0	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-97,000	-61,852	35,148	4,000	56,321	52,321
CASH, JANUARY 1	212,025	212,025	0	155,704	155,704	0
CASH, DECEMBER 31	$ 115,025	150,173	35,148	159,704	212,025	52,321

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE PROJECTS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	0	26,576	26,576
Charges for services	151,811	95,527	-56,284	150,000	96,120	-53,880
Total Receipts	151,811	95,527	-56,284	150,000	122,696	-27,304
DISBURSEMENTS						
Special road and bridge projects	150,000	98,562	51,438	165,306	124,941	40,365
Transfers out	14,872	14,872	0	0	0	0
Total Disbursements	164,872	113,434	51,438	165,306	124,941	40,365
RECEIPTS OVER (UNDER) DISBURSEMENTS	-13,061	-17,907	-4,846	-15,306	-2,245	13,061
CASH, JANUARY 1	13,061	13,061	0	15,306	15,306	0
CASH, DECEMBER 31	$ 0	-4,846	-4,846	0	13,061	13,061

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 0	2,487	2,487
Transfers in	75,000	75,000	0
Total Receipts	75,000	77,487	2,487
DISBURSEMENTS			
Capital improvements	0	0	0
Total Disbursements	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	75,000	77,487	2,487
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 75,000	77,487	2,487

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 34,000	32,330	-1,670	25,000	33,592	8,592
Interest	6,000	4,261	-1,739	2,000	4,651	2,651
Total Receipts	40,000	36,591	-3,409	27,000	38,243	11,243
DISBURSEMENTS						
Ex Officio Recorder of Deeds	40,000	45,117	-5,117	58,550	36,361	22,189
Total Disbursements	40,000	45,117	-5,117	58,550	36,361	22,189
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-8,526	-8,526	-31,550	1,882	33,432
CASH, JANUARY 1	86,259	86,259	0	84,377	84,377	0
CASH, DECEMBER 31	$ 86,259	77,733	-8,526	52,827	86,259	33,432

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST/ABUSE VICTIMS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,600	2,745	145	2,600	2,867	267
Total Receipts	2,600	2,745	145	2,600	2,867	267
DISBURSEMENTS						
Abuse victims' services	5,467	5,492	-25	2,600	0	2,600
Total Disbursements	5,467	5,492	-25	2,600	0	2,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,867	-2,747	120	0	2,867	2,867
CASH, JANUARY 1	2,867	2,867	0	0	0	0
CASH, DECEMBER 31	$ 0	120	120	0	2,867	2,867

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SEIZED PROPERTY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	0	5,139	5,139
Interest	0	184	184	0	188	188
Total Receipts	0	184	184	0	5,327	5,327
DISBURSEMENTS						
Sheriff	5,000	4,705	295	2,238	2,011	227
Transfers out	0	225	-225	0	0	0
Total Disbursements	5,000	4,930	70	2,238	2,011	227
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,000	-4,746	254	-2,238	3,316	5,554
CASH, JANUARY 1	5,554	5,554	0	2,238	2,238	0
CASH, DECEMBER 31	$ 554	808	254	0	5,554	5,554

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DARE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	2,700	7,064	4,364
Total Receipts	2,700	7,064	4,364
DISBURSEMENTS			
Sheriff	4,000	6,641	-2,641
Total Disbursements	4,000	6,641	-2,641
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,300	423	1,723
CASH, JANUARY 1	1,824	1,696	-128
CASH, DECEMBER 31	$ 524	2,119	1,595

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 209,387	210,717	1,330	183,184	197,918	14,734
Intergovernmental	188,573	211,785	23,212	185,587	197,139	11,552
Charges for services	38,815	48,560	9,745	39,400	44,748	5,348
Interest	20,500	24,037	3,537	11,000	19,221	8,221
Other	15,500	22,471	6,971	14,000	16,182	2,182
Total Receipts	472,775	517,570	44,795	433,171	475,208	42,037
DISBURSEMENTS						
Salaries and fringe benefits	374,796	357,248	17,548	334,756	287,478	47,278
Office expenditures	57,500	46,654	10,846	46,115	50,496	-4,381
Equipment	23,500	10,751	12,749	17,000	6,202	10,798
Mileage and training	26,000	13,337	12,663	10,500	12,748	-2,248
Other	67,000	27,682	39,318	24,800	24,695	105
Total Disbursements	548,796	455,672	93,124	433,171	381,619	51,552
RECEIPTS OVER (UNDER) DISBURSEMENTS	-76,021	61,898	137,919	0	93,589	93,589
CASH, JANUARY 1	472,586	473,231	645	379,062	379,642	580
CASH, DECEMBER 31	$ 396,565	535,129	138,564	379,062	473,231	94,169

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZENS SERVICE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 130,867	128,725	-2,142	114,490	121,420	6,930
Intergovernmental	5,700	987	-4,713	0	6,822	6,822
Interest	4,000	6,098	2,098	4,000	5,570	1,570
Other	6,144	3,771	-2,373	5,960	5,960	0
Total Receipts	146,711	139,581	-7,130	124,450	139,772	15,322
DISBURSEMENTS						
Contractual services	248,120	145,897	102,223	228,013	109,825	118,188
Office expenditures	800	556	244	700	1,358	-658
Mileage and training	1,000	745	255	1,080	835	245
Total Disbursements	249,920	147,198	102,722	229,793	112,018	117,775
RECEIPTS OVER (UNDER) DISBURSEMENTS	-103,209	-7,617	95,592	-105,343	27,754	133,097
CASH, JANUARY 1	133,209	133,209	0	105,343	105,455	112
CASH, DECEMBER 31	$ 30,000	125,592	95,592	0	133,209	133,209

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	$ 344,500	343,767	-733
Interest	7,404	7,519	115
Other	16,445	14,427	-2,018
Total Receipts	368,349	365,713	-2,636
DISBURSEMENTS			
Salaries and fringe benefits	72,400	72,257	143
Office expenditures	10,554	19,669	-9,115
Building and equipment	27,952	41,671	-13,719
Mileage and training	4,920	7,994	-3,074
Professional fees	7,950	9,373	-1,423
Other	3,490	4,592	-1,102
Total Disbursements	127,266	155,556	-28,290
RECEIPTS OVER (UNDER) DISBURSEMENTS	241,083	210,157	-30,926
CASH, JANUARY 1	114,407	114,613	206
CASH, DECEMBER 31	$ 355,490	324,770	-30,720

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 3,267	3,296	29
Total Receipts	3,267	3,296	29
DISBURSEMENTS			
Circuit Clerk	5,006	5,229	-223
Total Disbursements	5,006	5,229	-223
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,739	-1,933	-194
CASH, JANUARY 1	2,438	2,578	140
CASH, DECEMBER 31	$ 699	645	-54

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 8,774	8,712	-62
Interest	0	401	401
Total Receipts	8,774	9,113	339
DISBURSEMENTS			
Law Library	6,000	7,840	-1,840
Total Disbursements	6,000	7,840	-1,840
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,774	1,273	-1,501
CASH, JANUARY 1	12,425	12,808	383
CASH, DECEMBER 31	$ 15,199	14,081	-1,118

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Senior Citizens Service Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
DARE Fund	1997
Emergency 911 Fund	1997
Circuit Clerk Interest Fund	1997
Law Library Fund	1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Law Enforcement Civil Fees Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997
Neighborhood Improvement Districts Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	1998 and 1997
Law Enforcement Training Fund	1998 and 1997
Law Enforcement Fund	1997
Recorder User Fee Fund	1998
Children's Trust/Abuse Victims Fund	1998
DARE Fund	1998
Emergency 911 Fund	1998
Circuit Clerk Interest Fund	1998
Law Library Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Health Center Fund, Senior Citizens Service Fund, Circuit Clerk Interest Fund, Law Library Fund, Associate Circuit Division Interest Fund, Probate Division Interest Fund, and Neighborhood Improvement Districts Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to

invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The deposits of the Health Center Board, Senior Citizens Service Board, and the Emergency 911 Board at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the name of the respective board.

3. Subsequent Event

In November 1998, the voters of Stone County approved to increase from 1/8 cent to 1/4 cent the sales tax for establishing, maintaining, and operating an enhanced emergency 911 telephone service. The tax increase is effective April 1, 1999.

Supplementary Schedule

Schedule

STONE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct program:			
10.unknown	Cooperative Law/Cannabis Agreement	N/A	$ 0	1,020
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9205	78,229	55,966
	Office of Administration -			
10.7	Schools and Roads - Grants to States	N/A	25,529	26,603
	U.S. DEPARTMENT OF DEFENSE			
	Direct program:			
12.unknown	Contract for Law Enforcement Services	N/A	22,237	22,082
	Passed through state Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	418,543	446,361
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Social Services -			
14.2	Emergency Shelter Grants Program	98-184F	12,000	10,000
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.6	Local Law Enforcement Block Grants Program	N/A	14,738	0
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	15,690	23,065
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	3,756	0
	Passed through:			
	State Department of Public Safety -			
16.6	Violence Against Women Formula Grant	97-VAWA-0058	17,017	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	0	139
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-104-2	57,744	0

	Passed through state Department of Public Safety -				
20.6	State and Community Highway Safety	98-PT-02-56		1,999	0
	GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -				
39.0	Donation of Federal Surplus Personal Property	N/A		1,293	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:				
	Department of Health -				
93.3	Immunization Grants	PG0064-9205IAP		7,070	6,368
	Department of Social Services -				
93.6	Child Support Enforcement	N/A		1,266	1,418
::					
	Department of Health -				
94.0	Maternal and Child Health Services				
	Block Grant to the States	ER0146-8205		46,936	51,399
	Total Expenditures of Federal Awards		$	724,047	644,421

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

STONE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Stone County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Equitable Sharing of Seized and Forfeited Property Program (CFDA number 16.unkown) and the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 1998	1997
14.231	Emergency Shelter Grants Program	$ 12,000	10,000
20.205	Off-System Bridge Replacement and Rehabilitation Program	57,744	0

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Stone County, Missouri

Compliance

We have audited the compliance of Stone County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Stone County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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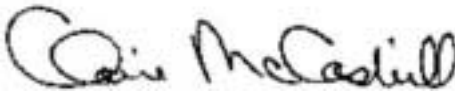
Internal Control Over Compliance

The management of Stone County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Stone County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 7, 1999 (fieldwork completion date)

Schedule

STONE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	x yes ____ no
Reportable conditions identified that are not considered to be material weaknesses?	____ yes x none reported
Noncompliance material to the financial statements noted?	x yes ____ no

Federal Awards

Internal control over major program:	
Material weaknesses identified?	____ yes x no
Reportable conditions identified that are not considered to be material weaknesses?	____ yes x none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	____ yes x no

Identification of major program:

CFDA or Other Identifying Number	Program Title
12.112	Payments to States in Lieu of Real Estate Taxes

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1.	**Omission of Budgetary Information**

The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the two years ended December 31, 1998. The lack of budgetary information for these funds, especially the Neighborhood Improvement Districts Fund, is a significant omission from the county's financial statements. Receipts which were not budgeted totaled $5.3 million and $9.4 million in 1998 and 1997, respectively. Disbursements which were not budgeted totaled $5.9 million and $6.3 million for 1998 and 1997, respectively.

Chapter 50, RSMo 1994 and RSMo Cumulative Supp. 1998, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuring year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials and boards would be able to more effectively evaluate all county financial resources.

WE RECOMMEND the County Commission and other applicable officials and boards ensure budgets are prepared for all county funds as required by state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

Ever sensitive to public perceptions, the County Commission is loathe to include these funds in its budget and financial statement, since it will appear to the public that the county's budget is some $5 million or $6 million greater than it truly is. The County Commission is confident that the public's interests are protected by the safeguards embodied in the joint development agreements and the methods of accounting thereunder. The County Commission agrees that the public should be able to inspect the budget and finances of each Neighborhood Improvement District (NID).

As a compromise, the County Commission suggests that it require each entity handling NID funds to annually provide a budget and financial statement for each NID and file such documents with the County Clerk's office for official and public inspection. Bond Counsel will be instructed to notify each entity handling NID funds of this requirement.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

STONE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, Missouri, on the applicable finding in our prior audit report issued for the three years ended December 31, 1996.

3. Budgets and Published Financial Statements

A. Budgets were not prepared for some county funds.

Recommendation:

The County Commission:

A. Ensure budgets are prepared or obtained for all county funds as required by state law.

Status:

A. Not implemented. See finding number 98-1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

STONE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

2. Federal Financial Assistance

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	83.516
Program Title:	Disaster Assistance
Pass-Through Entity Identifying Number:	Not applicable
Award Year:	1995 and 1994
Questioned Costs:	$43,058

A.1. Daily activity reports or other documentation were not maintained of the costs incurred for wages, equipment, and materials for repairs on bridges damaged by the 1993 flood. The federal share of these expenditures totaled $37,314.

2. Bids or proposals were not obtained for contract labor services for one project from the 1995 flood, and information was not obtained from the contractor to document that prevailing wage rates were paid to all laborers employed by the contractor. The federal share of these expenditures totaled $5,744.

Recommendation:

The County Commission:

A. Consult with the grantor agency to resolve the questioned costs. In the future, the County Commission should maintain adequate supporting documentation, solicit

bids, and ensure all contract laborers are paid prevailing wage rates on federally funded construction projects.

Status:

A. The grantor agency reviewed, approved and agreed with the audit findings; however, the agency expressed the opinion that public funds had been appropriately expended on the county's projects and closed its file.

If additional assistance is received by the county from the grantor agency, the County Commission will ensure that similar problems do not occur. The County now has a computer system to assist in keeping records that will comply with the auditor's recommendation.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

STONE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 7, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Stone County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 7, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in of the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Stone County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Neighborhood Improvement Districts

The Stone County Commission established three Neighborhood Improvement Districts (NIDs): Stonebridge, Edgewater and Black Oak. The NIDs were established to develop roads and construct water and sewage systems in the districts. A special obligation, special assessment bond series in the amount of $3,775,000 was issued by the County Commission in July 1997 to retire a temporary construction note for the Stonebridge Neighborhood Improvement District. Special obligation temporary notes for $1,685,000 and $6,190,000 were issued by the County Commission during 1997 and 1998 to fund construction of the Black Oak Mountain Resort and Edgewater Village Neighborhood Improvement Districts, respectively.

The primary source of monies for bond repayment is the collection of special assessments on properties within the districts. Two payment options were developed by the county; allowing property owners to either pay the assessment in one lump sum or allocate the special assessment and related interest costs over a twenty-year payment schedule.

A. During 1997, the county began collecting the special assessments for the Stonebridge NID. The County Commission authorized the County Collector to withhold one percent assessment fund monies from the special assessment collections. As a result, during the two years ended December 31, 1998, the County Collector withheld $5,402 from the special assessment collections for distribution to the Assessment Fund.

   We could find no express statutory authority for these withholdings. While costs actually incurred by the county can be charged in the proportionate assessments on property benefited, the county provided no documentation of out-of-pocket costs actually incurred from the Assessment Fund related to the projects. Moreover, it does not appear reasonable to continue to charge undocumented "assessment" costs annually over the life of the financing for assessments that are required to be fixed after construction is complete.

B. The county received administrative fees totaling $17,000 and $12,500 in 1998 and 1997, respectively from the Edgewater and Black Oak NIDs. The administrative costs represent seven-tenths of one percent of actual construction and estimated bond costs; and are not based on actual administrative costs incurred by the county. Although costs for work done or services performed by the county in the administration and supervision of the improvement are allowed by Section 67.453, RSMo 1994, these costs should be based on actual work performed and should be documented.

The county does not have any written documentation to support administrative cost expenditures. The County Commission should review the administrative costs and collect additional amounts from the landowners or refund any excess amounts received, as applicable.

WE RECOMMEND the County Commission:

A. Review the issue of withholding assessment funding from special assessment collections and consider discontinuing any future assessment withholdings and refunding those amounts already withheld. If actual incremental assessment costs were incurred related to applicable NID projects, it may be appropriate to include those costs in the special assessments apportioned to the landowners.

B. Document the administrative costs incurred by the county and charged to the NIDs. Any additional unreimbursed costs should be collected from the landowners. Any excess amounts collected should be refunded to landowners who have already paid their assessments, and assessments to landowners paying over the twenty-year period should be adjusted to reflect actual costs.

AUDITEE'S RESPONSE

A. The County Commission believes Section 137.720, RSMo, (percentage of ad valorem property tax collection to be deducted for deposit in county assessment fund) governs:

> *"A percentage of all ad valorem property tax collections allocable to each taxing authority within the county and the county shall be deducted from the collections of taxes each year and shall be deposited into the assessment fund of the county as required under section 137.750. The percentage shall be ... one percent for counties of the third and fourth class."*

Special assessments are ad valorem levies either of the county or by a taxing authority within the county. The County Commission believes that the Collector of Revenue is authorized, even mandated, to withhold the one percent assessment fund monies on these assessments.

The County Counselor spoke with the Bond Counsel and the Bond Counsel indicated he concurred with this response.

In addition, the County Commission fears that, if the Collector of Revenue fails to collect the one percent that the commission believes is mandated by Section 137.720, RSMo, the collector may be derelict in her duties and/or liable on her official bond.

B. The County Commission believes that the administrative work performed by the county for the NIDs, and the employees, equipment and supplies provided by the county to the NIDs, should not be borne by the taxpayers from the county general revenue fund. Upon inquiry, the County Commission was advised by Bond Counsel that it was entitled to an administrative fee from each NID.

Considering that the NID administrative duties will continue for up to twenty-years for each NID, the County Commission followed the suggestion of Bond Counsel and estimated that

seventh-tenths of one percent of actual construction and estimated bond costs was a reasonable amount and would compensate the county for its administrative duties.

The County Commission believes that it has complied with the requirements of Section 67.453, RSMo. That statute does not require that the costs and actual work performed be tracked, recorded, reported, and allocated, as follows:

> *"'Cost', all costs incurred in connection with an improvement, including, but not limited to, costs incurred for the preparation of preliminary reports, the preparation of plans and specifications, the preparation and publication of notices of hearings, resolutions, ordinances and other proceedings, fees and expenses of consultants, interest accrued on borrowed money during the period of construction, underwriting costs and other costs incurred in connection with the issuance of bonds or notes, establishment of reasonably required reserve funds for bonds or notes, the cost of land, materials, labor and other lawful expenses incurred in planning, acquiring and doing any improvement, reasonable construction contingencies, and work done or services performed by the city or county in the administration and supervision of the improvement..."*

Having the ability to track, record, report, and allocate the actual costs and actual work performed would be ideal. However, the County Commission believes that the cost of instituting and maintaining such an accounting system would be an inefficient and improvident use of county resources, since little efficiency would be gained in the county's day-to-day operations. The County Commission believes it would be imprudent to institute such a system for this purpose.

AUDITOR'S COMMENT

A. In *Zahner v. City of Perryville,* 813 S.W.2d 855, 859 (Mo. banc 1991), the Missouri Supreme Court ruled that special assessments are not taxes. Therefore, it appears there is no authority for the county to make assessment fund withholdings from the special assessments.

B. State law does allow the county to recoup administrative costs related to the NIDs. However, basing the recoupment solely on a percentage of actual construction and estimated bond costs provides the county no assurance that the amounts received from the NIDs approximate the actual administrative costs incurred by the county.

2. Road and Bridge Concerns

A. The county maintains fuel tanks in several locations throughout the county for use in road and bridge and law enforcement vehicles. Both road and bridge employees and sheriff's deputies maintain fuel usage logs to account for fuel used; however, the county does not

reconcile fuel usage to fuel purchased. Such reconciliations are necessary to enable the County Commission to fully account for all fuel expenditures and identify significant loss or theft of fuel.

A similar condition was noted in our prior report.

B. Road and bridge foremen, grader operators and administrative clerks are allowed to use county vehicles to commute between home and work. The County Commission indicated these employees are on call 24 hours a day for emergency situations; however, the county does not keep records of mileage incurred on the county vehicles for commuting purposes.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND the County Commission:

A. Reconcile fuel purchases to fuel usage and investigate any differences.

B. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.

AUDITEE'S RESPONSE

A. The County Highway Commission will implement a policy and assign the duties to a county employee to reconcile fuel usage and investigate any differences.

B. The County Highway Commission will implement a policy requiring employees to maintain a daily log book to record any personal commuting or use of vehicles.

3. Officials' Salaries and Personnel Records

A. The County Coroner was paid a salary of $6,500 for each of the years ended December 31, 1998 and 1997. The County Coroner did not file a training certificate for 1997 with the county nor did he provide exemptions from the training as allowed by state law. Section 58.095, RSMo 1994, states that $500 of the coroner's annual salary is payable only if he has completed at least twenty hours of qualifying classroom training. The

additional compensation of $500 received during 1997 appears to be in excess of statutory allowances and should be refunded to the county.

B. Our review of the Stone County Salary Commission minutes and officials' salaries noted the following concerns:

1) Minutes of the November 17, 1995, salary commission meeting indicate approval of the Sheriff's and County Assessor's salaries for their terms beginning in 1997, but the minutes do not address whether the County Coroner's salary was approved or even considered. In addition, the minutes indicate the need for a legal opinion and another meeting to set the salary of the Public Administrator for her term beginning in 1997. A legal opinion was obtained from the Prosecuting Attorney which addressed the maximum compensation which could be paid to the Public Administrator; however, no subsequent salary commission meeting was held and there is no official salary commission approval for the Public Administrator's salary. The Public Administrator has received an annual salary of $14,000 from the county, and during 1998, she received $40,756 in fees. Section 473.739, RSMo Cumulative Supp. 1998, allows the Public Administrator to receive $4,000 in salary from the county if her fees do not exceed $25,000, and allows the salary commission to authorize additional compensation of up to $10,000 if her fees do not exceed $45,000. Because the Public Administrator received fees more than $25,000 in 1998, it is questionable that she should have been paid $4,000 of her $14,000 county salary.

Future salary commission minutes should include documentation of the amounts to be paid to each official and how the amounts were calculated.

2) The salary commission minutes of December 11, 1997, include a motion and a vote to approve a $1,000 increase in the Sheriff's salary to reflect 100 percent of the statutory salary based on the county's current (1997) assessed valuation. The Sheriff was the only elected official to receive a raise in 1998, although the county's 1997 assessed valuation would have raised the statutory salary of other officials. It appears questionable that the salary commission has statutory authority to increase the salary of just one official.

The County Commission should review these matters with the Prosecuting Attorney to ensure the proper amounts were paid to the various officials.

C. Although hourly-paid employees prepare time sheets, time sheets or other records of actual time worked are not maintained by salaried employees. As a result, the County Commission has no documentation to support these payroll expenditures. In addition, time sheets prepared by some hourly-paid employees do not include documentation of supervisory approval.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time sheets should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

D. Several hourly-paid employees had negative sick leave or compensatory leave balances during the two years ending December 31, 1998. In addition, some employees' vacation leave, sick leave, and compensatory leave records had not been updated for more than a year.

To ensure employees receive leave benefits only as allowed by the county's policy, employees should not be allowed to carry negative leave balances, and leave records should be updated monthly.

WE RECOMMEND the County Commission:

A. Require the County Coroner to provide certification that he completed applicable classroom training in 1997 or an exemption from training. If training certification or an exemption cannot be provided, the County Commission should pursue reimbursement of $500 from the County Coroner. In addition, the County Commission and County Clerk should require the County Coroner to provide certification of applicable classroom training before the $500 training allowance is paid.

B. Review these matters with the Prosecuting Attorney to ensure the proper amounts were paid to each official. In addition, the County Commission should ensure future salary commission minutes document the approval of salary increases for each official.

C. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.

D. Discontinue the practice of allowing negative leave balances. Records of vacation, sick leave, and overtime earned, used, and accumulated should be updated monthly.

AUDITEE'S RESPONSE

A. The County Commission will advise the County Coroner that he must either provide a certificate for training or a written document authorizing the county to withhold $500 from his annual salary. If the County Coroner does not comply, the matter will be referred to the Prosecuting Attorney for his action.

B. The County Commission will have the County Counselor consult with the Prosecuting Attorney concerning elected officials' salaries, to ensure that the proper amounts were paid, and will be paid, to each according to statute and the Salary Commission's determinations.

C. The County Commission requires each hourly employee to document time worked either by a time clock system or a time accounting system. Salary employees are not required to do so.

The County Commission agrees that it should monitor the work performance of all salaried employees to ensure that such employees are satisfactorily in attendance or at work, adequately performing their tasks, and that the county is receiving the best value for its expenditures.

Consideration of the auditor's suggestion requires that the County Commission balance the need to obtain the most accurate accounting information against the county's exposure to claims for overtime and claims that employees deemed "salaried" might be able to claim hourly compensation years after work was performed.

Both the County Counselor and the county's special counsel concerning the federal Fair Labor Standards Act have verbally advised against requiring salaried employees to maintain time records.

After carefully considering both options, the County Commission has decided to follow the advice of its legal counsel.

D. The County Commission directed the County Clerk, and the County Clerk has instructed her staff to never allow negative leave balances.

4. Budgets and Published Financial Statements

A. Disbursements were made in excess of the approved budgets in the following funds during the two years ended December 31, 1998, as follows:

Fund	1998	1997
General Revenue	$386,084	$47,374
Law Enforcement Training	933	594
Law Enforcement	N/A	17,761
Recorder User Fee	5,117	N/A
Children's Trust/Abuse Victims	25	N/A
DARE	2,641	N/A
Emergency 911	28,290	N/A
Circuit Clerk Interest	233	N/A

Law Library	1,840	N/A

While the county has procedures in place to periodically compare budgeted and actual expenditures, it appears the county did not adequately use such procedures to monitor expenditures or document reasons for the excess expenditures. It was also ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

B. The county's annual published financial statements did not include the financial activity of some county funds. Sections 50.800 and 50.810, RSMo 1994, require county financial statements be prepared and published in a local newspaper and must show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

A similar condition was also noted in our prior report.

WE RECOMMEND the County Commission and other applicable officials and boards:

A. Keep expenditures within the budgetary limits. If valid reasons necessitate excess expenditures, the original budget should be formally amended.

B. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.

AUDITEE'S RESPONSE

A. The County Commission agrees that the budget should be adhered to, and budget statutes should be followed. The County Commission and the County Clerk will use their best efforts to ensure that the budget is amended in accordance with the governing statutes.

B. The County Commission and the County Clerk will use their best efforts to ensure that all budgetary funds under control of the commission will be published according to law, either in the county's official annual financial statement, or independently by the appropriate overseeing board or entity.

5. General Fixed Asset Records

Our review of the County Clerk's general fixed asset records and procedures noted the following concerns:

A. Additions and dispositions of fixed assets are not recorded in the property records as they occur. For example, transactions occurring in 1997 were not recorded until 1999. In addition, the County Clerk does not reconcile fixed asset purchases to additions to the property records. Only 4 of the 10 equipment purchases noted during our review of expenditures had been recorded in the property records.

B. Section 51.155, RSMo Cumulative Supp. 1998 requires that physical inventories of all county owned personal property be conducted annually. Although the county indicated that a physical inventory had been conducted in 1998, no documentation of the inventory could be provided and there was no explanations why the additions noted above were not identified.

C. Property records do not always include information applicable to the item. Information such as make/model and serial numbers are not recorded for some assets.

D. Property records are not maintained in a manner which identifies yearly additions, deletions, and year-end balances.

Adequate general fixed asset records are necessary to safeguard assets, provide a basis for proper insurance coverage, and meet statutory requirements.

Similar conditions were noted in our prior two reports.

WE RECOMMEND the County Clerk:

A. Maintain the property records on a current basis to reflect all additions and dispositions of general fixed assets as they occur. In addition, general fixed asset purchases should be reconciled periodically to additions to the property records.

B. Perform and document annual physical inventories of all county owned personal property as required by state law.

C. Record all applicable information in the property records.

D. Maintain property records in a manner that beginning balances, additions and deletions can be reconciled to year-end balances.

AUDITEE'S RESPONSE

It is impossible to keep track of all the purchases from non-budgetary funds. It has been difficult to perform annual inventories because of lack of cooperation from some officials. We have done the best we could do with the personnel available.

6. County Collector's Records and Procedures

The County Collector's office processed property taxes totaling in excess of $11 million during each of the years ended February 28, 1999 and 1998.

A. The former County Collector's annual settlements contained errors in amounts reported which caused differences between total tax collections and distributions. For the years ended February 28, 1999 and 1998, Assessment Fund withholdings ($213,933) were included in distributions twice, protested taxes ($45,665), duplicate tax receipts ($2,358), and merchant license fees ($45,975) were omitted from distribution amounts, and tax sale surplus proceeds ($14,428) were not included in collection or distribution amounts.

The former County Collector generated an account book at each year end; however, errors and omissions on the account book have resulted in incorrect information on the annual settlements. In addition, the County Clerk receives monthly settlements and a copy of the account book; however, the County Clerk and County Commission do not review the account book to help verify the accuracy of the annual settlements.

Section 139.160, RSMo 1994, states that ". . . the collector shall . . . settle his accounts of all monies received by him on account of taxes and other sources of revenue . . ." By incorrectly reporting collections and distributions, the former County Collector has not provided the County Commission with an accurate and complete settlement.

B. As noted in our prior report, the former County Collector allowed his employees and other courthouse employees to cash personal checks from tax receipts. To ensure all receipts are accounted for and deposited intact, personal checks should not be cashed with official tax receipts.

C. As noted in our prior report, the former County Collector did not correctly compute commissions and fees withheld from property taxes for the Blue Eye School District for the year ended February 28, 1997. As a result, approximately $1,670 was over withheld from the school district and deposited into the General Revenue Fund ($1,000) and Assessment Fund ($670). While the former County Collector and County Commission responded in our prior report that they agreed to refund these amounts to the school district, no refunds have been made.

WE RECOMMEND the County Collector:

A. Maintain an accurate account book and file complete and accurate annual settlements. In addition, the County Clerk and County Commission should compare the amounts on the annual settlements to the County Clerk's account book to ensure the annual settlements are accurate.

B. Discontinue the practice of cashing personal checks from tax receipts.

C. And the County Commission authorize the payment of $1,000 from the General Revenue Fund and $670 from the Assessment Fund to the Blue Eye School District.

AUDITEE'S RESPONSE

A. The current County Collector will ensure this is done in the future.

B. The current County Collector will look into alternative ways to allow employees to cash personal checks.

C. The former County Collector agrees to discuss this with the County Commission.

7. Prosecuting Attorney's Records and Procedures

The Prosecuting Attorney's office annually collects approximately $61,000 in court ordered restitution, $88,000 in restitution on bad checks, and $17,000 in delinquent tax payments for the state. Some of the monies are received in the form of money orders and cashier's checks made payable directly to the victims or state. Three bank accounts are maintained for the deposit of cash and money orders and cashier's checks made payable to the Prosecuting Attorney's office.

A. A cash payment totaling $175 was received for bad check restitution in March 1998 but not recorded or deposited. Although the money was not deposited, a check was written to the victim for $150 in March 1998, resulting in a shortage in the bank account. Upon our review of the bad check restitution account in February 1999, the bad check clerk identified the $175 cash receipt in the case file, deposited the cash, and distributed the $25 fee to the County Treasurer. In addition, the prior audit report identified a shortage in the bad check restitution account of $233 that has not been recovered or resolved.

Weaknesses in internal controls as noted below appear to have allowed these discrepancies to occur and not be detected in a timely manner. The Prosecuting Attorney should investigate these discrepancies and take action to ensure the $233 shortage identified during the prior audit is resolved.

B. The following were noted regarding receipts:

1) Receipts slips are not issued immediately for some monies received, and monies are not always deposited timely. A cash count performed December 30, 1998, identified two money orders totaling $170 for restitution which had not been recorded. These money orders were not recorded and deposited until January 7, 1999.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued for all monies immediately upon receipt and deposits should be made daily or receipt accumulate to $100.

2) The method of payment received (cash, check, money order, etc.) is not always recorded on bad check restitution receipt slips, and receipt slips issued are not reconciled to bank deposits. To ensure all receipts are deposited intact, the method of payment received should be recorded on all receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

C. Bank reconciliations have not been performed on the delinquent sales tax account since September 1998. In addition, bank reconciliations were attempted but not completed or agreed to the book balance for the bad check restitution account for April through December, 1998 and February, 1999.

At December 31, 1998, 37 checks written on the bad check account and 31 checks written on the restitution account, totaling $735 and $843, respectively, have been outstanding for over one year. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

The preparation of monthly bank reconciliations is necessary to ensure the bank accounts are in agreement with the accounting records and to detect errors on a timely basis.

D. Open-items listings (liabilities) are not prepared and liabilities are not reconciled to the balances in the bank accounts. It appears that proper identification and reconciliation of liabilities would have detected on a more timely basis the discrepancies noted in Part A. above.

Only by preparing open-items listings on a monthly basis and comparing it to the reconciled bank balances can the Prosecuting Attorney be assured that the records are in balance and that sufficient cash is available to cover liabilities.

E. Accounting duties are not adequately segregated. One clerk performs all the duties of receiving, recording, depositing, disbursing, and reconciling for the court-ordered restitution account, another clerk performs all the duties for the bad check restitution account, and a third clerk performs all the duties for the delinquent tax accounts. The clerks indicated that a review is performed by another employee, but this review is not documented.

Proper segregation of duties helps to ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

F. Bad check fees collected by the Prosecuting Attorney's office are not turned over to the County Treasurer on a timely basis. For example, the May, June, and July 1998 fees were not turned over to the County Treasurer until September 1998.

Section 50.360, RSMo 1994, requires all fees be turned over to the County Treasurer at least monthly. This section further requires that an itemized list of fees collected should be filed with the County Commission monthly.

Conditions similar to parts A-C. and E. were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Investigate the $233 of undeposited receipts and take appropriate action to ensure the shortage in the account is corrected.

B.1. Issue receipt slips immediately upon receipt for all monies received and deposit receipts daily or when accumulated receipts exceed $100.

2. Indicate method of payment received on all receipt slips and reconcile the composition of receipt slips issued to the composition of bank deposits.

C. Ensure bank reconciliations are prepared on a monthly basis and follow-up on all old outstanding checks.

D. Prepare monthly open-items listings and reconcile to the cash balances.

E. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

F. Turn over all fees to the County Treasurer on a monthly basis as required by state law.

AUDITEE'S RESPONSE

A. We have made arrangements with the Stone County Commission to resolve the $233 check.

B.1. It is now our policy to issue receipt slips at the time all payments are received and to make deposits daily if receipts total $100 or more.

2. Method of payment is being recorded on all receipt slips.

C. All bank reconciliations have been completed and, in accordance with statutory provisions, unclaimed monies are being turned over to the County Treasurer.

D. We are attempting to prepare open-item listings for the various accounts.

E. Periodic supervisory reviews are being put into place whereby the monthly reconciliations are reviewed by other individuals in the prosecutor's office.

F. All fees are being turned over to the County Treasurer on a timely basis.

8. County Assessor's Records and Procedures

The County Assessor collects approximately $10,000 annually from the sale of county maps.

A. Receipt slips are not issued for some monies received. In addition, the original copies of voided receipt slips are not always retained. To ensure receipts are accounted for properly, official prenumbered receipt slips should be issued for all monies received and all copies of voided receipt slips should be retained.

B. Some cash receipts are not transmitted to the County Treasurer. According to the County Assessor's personnel, some cash receipts are used as petty cash for expenditures of the office; however, no documentation of petty cash expenditures is retained.

Issuing receipt slips for all monies received and transmitting all receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.

C. The County Assessor allows his employees to cash personal checks from receipts. To ensure all receipts are accounted for and transmitted to the County Treasurer intact, personal checks should not be cashed with official receipts.

D. The County Assessor does not file monthly reports of all fees collected. Section 50.370, RSMo 1994, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Assessor:

A. Issue official prenumbered receipt slips for all monies received and retain all copies of voided receipt slips.

B. Transmit all receipts to the County Treasurer intact. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.

C. Discontinue the practice of cashing personal checks from official receipts.

D. Prepare monthly reports of fees as required by state law.

AUDITEE'S RESPONSE

A. Receipt slips are now issued for all receipts and all voided receipt slips are now retained.

B&C. These have been implemented. The county employees have established their own fund from candy sale proceeds to cash personal checks.

D. Monthly reports are now prepared and filed with the County Commission.

9. Public Administrator's Settlements

The Public Administrator is the court-appointed guardian and conservator for wards of the Probate Division. While the Associate Circuit Judge requires annual reports of bank balances and other asset balances for each ward, the Public Administrator has not filed annual settlements for several estates on a timely basis. For 11 cases, annual settlements have not been filed for two years. In addition, a settlement has not been filed for another estate since January 9, 1995.

Section 473.540, RSMo 1994, requires settlements to be filed annually. Timely settlements are necessary for the court to properly oversee the administration of these cases and lessens the possibility that errors or misuse of funds will go undetected.

WE RECOMMEND the Public Administrator file annual settlements on a timely basis as required by state law.

AUDITEE'S RESPONSE

I agree and will attempt to make improvements in this area. However, it is very difficult due to the size of my caseload and lack of available staff and time to complete and file all settlements and reports in a timely manner.

10. Health Center

A. During our review of the health center's personnel records, we noted the following concerns:

1) Employees keep track of their own leave balances and record leave activity on their time sheets; however, the health center's master leave records have not been updated since 1997. In addition, leave records indicate four employees were allowed to accumulate vacation leave beyond the maximum allowed by the health center's personnel policy. To ensure that leave balances are accurate and employees are treated equitable, leave time earned and taken should be recorded on a timely basis and the health center should follow the personnel policy regarding the maximum accumulation of vacation leave.

2) The health center has a policy that prohibits employees from being compensated for accrued compensatory time upon termination of employment. Any compensatory time accrued will be lost upon termination. This policy may not comply with the Fair Labor Standards Act (FLSA). In addition, one employee had an accumulated compensatory time balance of 381 hours at December 31, 1998. The FLSA provides that covered employees may accumulate up to 240 hours of compensatory time and amounts greater than that are to be compensated in pay.

   The health center should take steps to address the excess compensatory time balances and establish compensatory time procedures to ensure compliance with the FLSA.

3) Health center employees are required to complete time sheets; however, supervisory approval is not documented on the time sheets. Employee time sheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

B. The health center's general fixed asset records need improvement as follows:

1) The property records do not include the health center's land, building, and building improvements.

2) Additions of fixed assets are not always recorded as they occur. Our review noted at least three items purchased during the audit period had not been recorded on the records. In addition, the health center does not reconcile fixed asset

purchases to additions to the property records to ensure all applicable items are added to the property records.

3) Property records are not maintained in a manner which identifies yearly additions, deletions, and year-end balances.

Adequate general fixed asset records are necessary to safeguard the assets and provide a basis for proper insurance coverage.

Conditions similar to Parts A.1. and B. were noted in our prior report.

WE RECOMMEND the Health Center Board of Trustees:

A.1. Ensure the master leave records are updated monthly and discontinue the practice of allowing employees to accrue leave beyond the maximum levels established by the personnel policy.

2. Take steps to address the excess compensatory leave balances and establish policies to ensure compliance with FLSA.

3. Require documentation of supervisory approval on all time sheets.

B.1. Include the cost of land, buildings, and building improvements on the property records.

2. Record all additions of fixed assets as they occur and ensure general fixed asset purchases are reconciled periodically to additions to the property records.

3. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

A.1. We are currently updating our master leave records and plan to discuss our leave policy with the board.

2. We will review the current policy with the board.

3. I will start initialing all time sheets to indicate my approval.

B. These recommendations have already been implemented.

11. Emergency 911

A. The Emergency 911 Board purchased a new vehicle in August 1997, which the 911 Administrator uses to commute between home and work. The board indicated the administrator is on call 24 hours a day for emergency situations; however, no vehicle usage records are kept and there are no records which distinguish commuting mileage from business-related mileage. From August 1997 to June 1999, approximately 44,000 miles were incurred on the vehicle.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the board may be subject to penalties and/or fines for failure to report all taxable benefits.

B. Time sheets are not prepared to document actual hours worked. Time sheets or time records are necessary to document payroll expenditures and to ensure compliance with the Fair Labor Standards Act (FLSA).

C. Some checks were not issued in numerical sequence. In addition, voided checks were not retained. To ensure all checks are accounted for, checks should be issued in numerical sequence. If a check is voided, this should be indicated and the check should be mutilated and retained.

D. The Emergency 911 Board's general fixed asset records did not reflect the cost of the items. In addition, the vehicle used by the 911 Administrator was not included in the records. Adequate general fixed asset records are necessary to safeguard the assets and provide a basis for proper insurance coverage.

WE RECOMMEND the Emergency 911 Board:

A. Comply with IRS guidelines for reporting fringe benefits related to commuting in the official vehicle. In addition, the board should establish a written policy for the 911 Administrator regarding the appropriate use of the vehicle for commuting purposes and ensure records are kept which distinguish commuting and business mileage.

B. Require all employees to prepare monthly time sheets.

C. Issue checks in numerical order and retain voided checks.

D. Record the cost of all general fixed assets and ensure all items are included on the records.

AUDITEE'S RESPONSE

The Director of County 911 Emergency Services provided the following response:

A. We will start maintaining a vehicle mileage log, and any personal miles will be documented on the log and reported as fringe benefits.

B. We have started preparing time sheets.

C. This has been implemented.

D. We have now included the cost of all the items and the vehicle on our inventory list.

This report is intended for the information of the management of Stone County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

STONE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, Missouri, on findings in the Management Advisory Report (MAR) of our prior report issued for the three years ended December 31, 1996. Finding numbers 2.A., and 3.A., are omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. County Expenditures

   A. The county paid $134,375 to the local chamber of commerce for marketing campaigns to promote tourism. These payments were not supported by written contracts or documentation of the chamber's actual expenditures.

   B. The county paid $8,329 from the Children's Trust/Abuse Victims Fund to a local domestic violence shelter without obtaining service contracts or documentation of the use of funds.

   C. The county did not obtain bids or ensure all efforts to obtain bids were adequately documented for purchases totaling approximately $369,500.

   D. Fuel usage was not reconciled to the fuel purchases.

   E. The county entered into a written agreement with an attorney to provide legal services to the county without evaluating the cost effectiveness of employing a salaried attorney to perform regular on-going duties handled by the outside attorney.

   Recommendation:

   The County Commission:

   A. Obtain periodic information from the chamber of commerce regarding increases in tourists directly related to the county's marketing campaigns to help determine the propriety of county funds spent on these marketing campaigns. If the county determines these services are desirable and beneficial, the County Commission should obtain written contracts for all payments made to the chamber which provide the county a means of monitoring the use of the county's funds.

   B. Enter into a written contract with the domestic violence shelter regarding the services provided by the shelter.

   C. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

   D. Reconcile fuel purchases to fuel usage and investigate any differences.

E. Analyze whether employing a salaried attorney would be cost beneficial to the county.

Status:

A&B. Implemented.

C. Partially implemented. Our review noted four purchases during the current audit period totaling $31,715 which were not bid. Although not repeated in the current report, our recommendation remains as stated above.

D. Not implemented. See MAR No. 2.

E. Implemented. Effective January 1, 1999, the attorney is paid an annual salary of $35,000.

2. Federal Financial Assistance

B. The county's personnel policies did not adequately comply with the Drug-Free Workplace Act.

Recommendation:

The County Commission:

B. Amend its personnel policy and adopt awareness programs sufficient to comply with the Drug-Free Workplace Act.

Status:

B. Implemented.

3. Budgets and Published Financial Statements

B. The annual published financial statements did not include financial activity for some county funds.

Recommendation:

The County Commission:

B. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.

Status:

B. Not implemented. See MAR No. 4.

4. Computer Controls

A. The county did not have an adequate password system or procedures to restrict access to the computer system used by the County Clerk and the County Treasurer.
B. Computer usage logs are not generated and reviewed for the computer system.

Recommendation:

The County Commission:

A. Implement a password system which restricts employee access. Passwords should be kept confidential and should be changed periodically.

B. Require computer usage be reviewed to ensure access has been restricted to appropriate job assignments.

Status:

A. Implemented.

B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

5. Planning and Zoning Records and Procedures

A. Receipt slips were not issued for some monies received.

B. Receipt slips were not issued in numerical sequence and as many as three receipt books were used simultaneously. In addition, the original copies of voided receipt slips were not always retained.

C. Receipts were not transmitted intact to the County Treasurer. In addition, a log or listing of receipts was not prepared.

D. The Planning and Zoning Administrator, who was responsible for receiving and depositing monies, was not bonded.

Recommendation:

The County Commission ensure:

A. Prenumbered receipt slips are issued for all monies received.

B. Receipt slips are issued in numerical order and the numerical sequence is accounted for properly. In addition, all copies of voided receipt slips should be retained.

C. All receipts are transmitted intact to the County Treasurer. In addition, a listing of all receipts should be prepared and the listing should be reconciled to receipt slips issued and amounts transmitted to the County Treasurer.

D. Bond coverage is obtained for the Planning and Zoning Administrator.

Status:

A-D. Implemented.

6. Prosecuting Attorney's Records and Procedures

A. Receipts totaling $233 for bad check restitution and fees were received and recorded but were not deposited into the bad check bank account. The bad check fees of $35 were disbursed to the County Treasurer, resulting in a shortage in the bank account. The restitution amounts of $198 were not paid to the victims.

B.1. Monies received in the mail were not recorded timely.

2. The method of payment received (cash, check, money order, etc.) was not recorded on receipt slips, and receipt slips issued were not reconciled to bank deposits.

3. Checks and money orders were not restrictively endorsed until deposits were prepared.

C. Bank reconciliations were not prepared on a monthly basis.

D. Accounting duties were not adequately segregated.

E. Bad check fees were sometimes waived and no documentation of authorization was maintained.

Recommendation:

The Prosecuting Attorney:

A. Investigate the $233 of undeposited receipts and take appropriate action to ensure the shortage in the account is corrected and the restitution is paid to the victims.

B.1. Issue receipt slips immediately upon receipt for all monies received.

2. Indicate the method of payment received on all receipt slips and reconcile the composition of receipt slips issued to the composition of bank deposits.

3. Restrictively endorse checks and money orders immediately upon receipt.

C. Ensure bank reconciliations are prepared on a monthly basis.

D. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

E. Document his authorization to waive collection of the bad check fee.

Status:

A, B.1, B.2,
C&D. Not implemented. See MAR No. 7.

B.3.&
E. Implemented.

7. County Collector's Records and Procedures

A. Tax receipts did not always indicate the method of payment received.

B. Receipts were not always recorded and deposited on a timely basis.

C. The County Collector allowed his employees and other courthouse employees to cash personal checks from tax receipts.

D. There appeared to be no statutory authority for the County Collector to collect a $15 fee for non-sufficient funds checks.

E. The County Collector did not correctly compute commissions and fees withheld from property taxes for the Blue Eye School District. An incorrect ratio was used when computing commissions and fees for the effect of Proposition C, and as a result, $1,670 was over withheld from the school district.

Recommendation:

The County Collector:

A. Indicate the method of payment received on each tax statement issued and reconcile total cash, checks, and money orders received to bank deposits.

B. Record and deposit all receipts immediately upon receipt.

C. Discontinue the practice of cashing personal checks from tax receipts.

D. Discontinue collecting the $15 nonsufficient funds check fee.

E. And the County Commission authorize the payment of $1,000 from the General Revenue Fund and $670 from the Assessment Fund to the Blue Eye School District. In addition, the County Collector should ensure future Proposition C commissions are computed correctly.

Status:

A&B. Implemented.

C. Not implemented. See MAR No. 6.

D. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

E. Partially implemented. No concerns were noted during the current audit regarding Proposition C commissions; however, the recommended payments were not made to the Blue Eye School District. See MAR No. 6.

8. County Assessor's Records and Procedures

A.1. Receipt slips were not issued for some monies received and voided receipt slips were not always retained.

2. Receipt slips were used as billing statements when requests for maps were received by phone. When payments were received, new receipt slips were not prepared.

3. Some cash receipts were used for petty cash expenditures of the office; however, no documentation of petty cash expenditures was retained.

B. The County Assessor did not file monthly reports of fees collected.

C. Work orders sent to the County Commission did not contain sufficient detail to support changes to assessed valuations on real and personal property.

Recommendation:

The County Assessor:

A.1. Issue official prenumbered receipt slips for all monies received and retain all copies of voided receipt slips.

2. Issue receipt slips only when monies are received and discontinue using receipt slips as billing statements.

3. Transmit all receipts intact daily to the County Treasurer and discontinue using cash receipts for petty cash expenditures.

B. Prepare monthly reports of fees as required by state law.

C. Ensure work orders contain sufficient detail of the changes made to assessed valuations.

Status:

A.1, A.3,
&B. Not implemented. See MAR No. 8.

A.2
&C. Implemented.

9. Sheriff's Records and Procedures

A.1. Receipt slips were not always issued in numerical order and voided receipt slips were not always retained.

2. Receipts were not deposited intact on a timely basis and the composition of receipt slips issued was not reconciled to bank deposits.

3. Bond receipt slips issued by the jailers were not reconciled to bond monies turned over to the bookkeeper.

4. Listings of gun permit fees received were not prepared and the number of permits issued was not reconciled to fees collected.

B. The cash control ledger did not include some receipts and disbursements, monthly totals for some months, or periodic cash balances.

C. Monthly listings of open items (liabilities) were not prepared, and consequently, were not reconciled to book and bank balances.

D. Some accounting records were not retained by the former Sheriff.

E. The county contracted with the Springfield Police Department Property Unit to perform a review of seized property. Several recommendations were made to the Sheriff to improve seized property records and procedures.

F. Records to account for the issuance and ultimate disposition of traffic tickets were not adequate.

Recommendation:

The Sheriff:

A.1. Issue receipt slips in numerical order and retain all copies of voided receipt slips.

2. Deposit all monies intact daily or when accumulated receipts exceed $100. In addition, the composition of receipt slips issued should be reconciled to bank deposits.

3. Reconcile bond receipt slips issued by jailers to bond monies turned over to the bookkeeper.

4. Prepare listings of gun permit fees received and reconcile the number of permits issued to the amount of permit fees received.

B. Maintain a complete cash control ledger noting all receipts and disbursements and periodic cash balances.

C. Prepare monthly listings of open items and reconcile to book and bank balances.

D. Retain all accounting records.

E. Address the concerns noted and implement the recommendations made by the Springfield Police Department Property Unit regarding seized property.

F. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

Status:

A-F Implemented.

10. Division II of the Circuit Court

A. Accounting duties were not adequately segregated.

B. A complete listing of amounts due to the court was not periodically generated and reviewed.

Recommendation:

The Associate Circuit Judge:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Ensure complete listings of amounts due the court are periodically generated and reviewed and the appropriate follow-up action taken.

Status:

A. Implemented.

B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

11. County Clerk's Records and Procedures

A. Receipts were not deposited on a timely basis, receipts were not always deposited intact, and the method of payment received was not recorded on receipt slips.

B.1. Additions and dispositions of fixed assets were not recorded in the property records as they occurred. In addition, the County Clerk did not reconcile general fixed asset purchases to additions to the general fixed asset inventory.

2. Annual physical inventories of all county owned personal property were not conducted as required by state law.

3. Property records did not always include all applicable information for each asset.

4. Property records were not maintained in a manner which identified yearly additions, deletions, and year-end balances.

Recommendation:

The County Clerk:

A. Deposit receipts intact daily or when accumulated receipts exceed $100. In addition, the method of payment received should be recorded on all receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

B.1. Maintain the property records on a current basis to reflect all additions and dispositions of general fixed assets as they occur. In addition, general fixed asset purchases should be reconciled periodically to additions to the property records.

2. Perform annual inventories of all county owned personal property as required by state law.

3. Record all applicable information in the property records.

4. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

Status:

A. Implemented.

B. Not implemented. See MAR No. 5.

12. Health Center

A.1. The property records did not include the health center's land, building, and building improvements.

2. Dispositions of fixed assets were not always recorded.

3. General fixed asset records were not maintained in a manner which identified yearly additions, deletions, and year-end balances. In addition, the health center did not reconcile purchases of general fixed assets to the amounts added to the property records.

B. Three employees were allowed to accumulate vacation leave beyond the maximum allowed by the health center's personnel policy.

C. Time sheets were not located for some employees.

Recommendation:

The Health Center Board of Trustees:

A.1. Include the cost of land, buildings, and building improvements on the property records.

2. Record all dispositions of fixed assets as they occur.

3. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances. In addition, general fixed asset purchases should be reconciled periodically to additions to the property records.

B. Discontinue the practice of allowing employees to accrue leave beyond the maximum levels established by the personnel policy.

C. Ensure time sheets are prepared by all employees and retained.

Status:

A.1, A.3
&B. Not implemented. See MAR No. 10.

A.2
&C. Implemented.

13. Senior Citizens Service Board

A. A member of the Senior Citizens Service Board (SCSB) was appointed treasurer and served as custodian of the Senior Citizens Service Fund. There was no statutory authority which allowed the board to maintain custody of this fund.

B. Budgets prepared by the SCSB did not adequately reflect the board's anticipated financial condition for the three years ended December 31, 1996. Appropriations were budgeted to use all available resources.

Recommendation:

The Senior Citizens Service Board:

A. Turn over custody of the Senior Citizens Service Fund to the County Treasurer.

B. Estimate expenditures as closely as possible to the anticipated actual amounts to more accurately reflect the board's financial condition.

Status:

A. Not implemented. The SCSB and the County Commission believe the funds should remain in the custody of the SCSB Treasurer. Although not repeated in the current report, our recommendation remains as stated above.

B. Partially implemented. The board no longer budgets to use all available resources; however, budgeted expenditures were still not reasonable for the current audit period. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

STONE COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1851, the county of Stone was named after William Stone, a pioneer judge of Taney County. Stone County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Galena.

Stone County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative dutie in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Stone County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 349,704	6	330,965	6
Sales taxes	2,832,499	48	2,704,100	47
Federal and state aid	1,798,283	31	2,005,634	34
Fees, interest, and other	852,082	15	736,637	13
Total	$ 5,832,568	100	5,777,336	100

The following chart shows how Stone County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 2,041,337	35	1,508,602	30
Highways and roads	3,811,226	65	3,602,913	70
Total	$ 5,852,563	100	5,111,515	100

In addition, Stone County received $1,589,570 and $1,467,651 in revenues in the Law Enforcement Fund and expended $1,457,853 and $1,530,768 for the purpose of public safety in 1998 and 1997, respectively.

::
The county maintains approximately 18 county bridges and 527 miles of county roads.

The county's population was 9,921 in 1970 and 19,078 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 206.6	200.9	82.6	26.7	11.4
Personal property	54.9	52.3	20.2	13.3	5.0
Railroad and utilities	8.9	9.1	5.5	4.3	2.8
Total	$ 270.4	262.3	108.3	44.3	19.2

* First year of statewide reassessment.
** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Stone County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .13	.13
Health Center Fund	.08	.08
Senior Citizens Service Fund	.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 82,317	79,272
General Revenue Fund	359,849	346,768
Special Road and Bridge Fund	3,379	3,793
Assessment Fund	111,359	108,068
Health Center Fund	218,474	210,099
Senior Citizens Service Fund	134,058	128,550
School districts	9,010,964	8,697,364
Library district	191,558	180,048
Fire protection districts	717,152	702,954
Junior College	6,709	5,331
Neighborhood Improvement District	175,749	355,430
Cities	22,572	25,863
County Clerk	495	566
County Employees' Retirement	60,095	60,352
Commissions and fees:		
General Revenue Fund	214,609	204,467
Total	$ 11,309,339	11,108,926

::
Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	89.6 %	89.7 %
Personal property	89.0	89.2
Railroad and utilities	100.0	100.0

Stone County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date
General	$	.005	None
Road capital improvements		.005	2001
Law enforcement		.005	None
Emergency 911		.00125	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Tony DeLong, Presiding Commissioner	$		20,000	20,000
Alden Hembree, Associate Commissioner			20,000	20,000
Denny McCrorey, Associate Commissioner			20,000	20,000
Carolyn Dean, County Clerk			32,500	32,500
J. Patrick Sullivan, Prosecuting Attorney			37,000	37,000
Richard Hill, Sheriff			39,000	38,000
Vicki A. May, County Treasurer			21,680	21,680
Rick Stumpff, County Coroner			6,500	6,500
Glenda (Wendy) Metcalf, Public Administrator *			54,756	27,942
Charlie Houser, County Collector, year ended February 28,		38,134	38,134	
Allen Berkstresser, County Assessor , year ended August 31,**			42,400	29,675
John Read, County Surveyor ***			N/A	N/A

* Includes fees received from probate cases.
** Includes $900 annual compensation received from the state.
*** Compensation on a fee basis.

State-Paid Officials:				
Cathy Shortt, Circuit Clerk and Ex Officio Recorder of Deeds			42,185	40,176
William T. Kirsch, Associate Circuit Judge			85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Number of Employees Paid by

Office	County	State
County Commission	5	0
Circuit Clerk and Ex Officio Recorder of Deeds*	5	3
County Clerk	5	0
Prosecuting Attorney	6	0
Sheriff	30	0
County Treasurer	1	0
County Coroner	1	0
County Collector *	3	0
County Assessor	11	0
Associate Division***	3	2
Probate Division*	1	1
Road and Bridge	34	0
Health Center*	13	0
Planning and Zoning**	4	0
Emergency 911	3	0
Total	125	6

* Includes one part-time employee.
** Includes two part-time employees.
*** Includes three part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Stone County's share of the Thirty-Ninth Judicial Circuit's expenses is 25 percent.

In 1992, the county entered into a $2.9 million cancelable lease for the purchase of the county law enforcement center. In 1998, the county received an additional $1 million in lease funding to construct an addition to the law enforcement center. Principal and interest payments are made from the Law Enforcement Fund. At December 31, 1998, the principal balance of the lease was $3.5 million. If the county makes the minimum lease payments, the lease will be paid in full by 2011.

In 1993, the county entered into a $5 million cancelable lease for the paving of county roads. Principal and interest payments are made from the Special Road and Bridge Fund. At December 31, 1998, the principal balance of the lease was $2.2 million. If the county makes the minimum lease payments, the lease will be paid in full by 2001.
::

Stone County has established three Neighborhood Improvement Districts: Stonebridge, Edgewater, and Black Oak. A special obligation, special assessment bond series of $3.8 million was issued by the County Commission in July 1997 to retire a temporary construction note for the Stonebridge Neighborhood Improvement District. Special obligation temporary notes for $1.7 and $6.2 million were issued by the County Commission during 1997 and 1998 to fund construction of the Black Oak and Edgewater Neighborhood Improvement Districts, respectively. These are special obligation bonds of the county and special assessments will be levied on the

property located in the development project to pay the debt principal and interest.

* * * * *

AUDIT REPORT

HARRISON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-72
September 3, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Harrison, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Harrison County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- During 1997 and 1998, Prosecuting Attorney and Sheriff's fees totaling $105,940 were collected and deposited to the General Revenue Fund. The audit questioned whether these amounts should have been paid to the schools as fines, given applicable court procedures and that the respective sections of law had been repealed effective July of 1997. The Court responded that this has now been addressed according to statutes and the County Commission responded that they would work with the schools to resolve this.

Also included in the audit are recommendations to improve bidding and budgetary procedures. The audit also suggested improvements to accounting controls of the Circuit Clerk, Sheriff and Public Administrator.

HARRISON COUNTY, MISSOURI

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State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Harrison County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Harrison County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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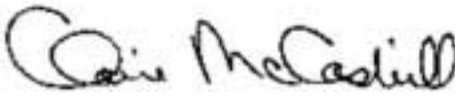
Harrison County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 30, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Harrison County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 30, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Harrison County, Missouri

We have audited the special-purpose financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Harrison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Harrison County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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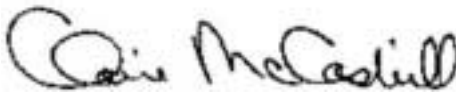
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Harrison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 30, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	240,801	826,179	942,438	124,542
Special Road and Bridge		1,448,752	1,678,633	1,170,358	1,957,027
Assessment		21,544	99,995	115,793	5,746
Law Enforcement Training		4,532	9,008	3,056	10,484
Prosecuting Attorney Training		4,219	2,141	380	5,980
Recorder's User Fees		3,968	4,691	6,445	2,214
Prosecuting Attorney Bad Check		9,327	12,473	10,957	10,843
Domestic Violence		0	465	465	0
Prosecuting Attorney Delinquent Tax		153	0	0	153
911		56,773	169,397	127,310	98,860
Lake Project		648,983	220,224	120,366	748,841
Crestview Nursing Home		280,349	133,552	88,806	325,095
Bond # 2		18,094	0	18,094	0
Crestview Addition		70,791	106,653	134,786	42,658
Special Poor		64,145	16,121	5,263	75,003
Lottie Wilson Trust		25,350	1,347	598	26,099
Local Emergency Planning Committee		5,918	2,808	1	8,725
Health Center		360,506	787,570	728,204	419,872
Law Library		4,567	4,055	23	8,599
Circuit Clerk's Interest		2,930	3,998	2,126	4,802
Total	$	3,271,702	4,079,310	3,475,469	3,875,543

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	281,723	771,946	812,868	240,801
Special Road and Bridge		1,510,931	1,277,652	1,339,831	1,448,752
Assessment		22,723	90,676	91,855	21,544
Law Enforcement Training		1,412	5,410	2,290	4,532
Prosecuting Attorney Training		3,299	2,804	1,884	4,219
Recorder's User Fees		1,926	4,435	2,393	3,968
Prosecuting Attorney Bad Check		6,404	12,782	9,859	9,327
Domestic Violence		275	495	770	0
Prosecuting Attorney Delinquent Tax		680	82	609	153
911		32,376	164,494	140,097	56,773
Lake Project		560,091	218,509	129,617	648,983
Crestview Nursing Home		270,721	122,342	112,714	280,349
Bond # 2		17,202	892	0	18,094
Crestview Addition		395,928	95,074	420,211	70,791
Special Poor		67,413	3,378	6,646	64,145
Lottie Wilson Trust		24,742	1,299	691	25,350
Local Emergency Planning Committee		6,835	483	1,400	5,918
Health Center		405,766	828,155	873,415	360,506
Disaster		147	0	147	0
Law Library		2,164	2,425	22	4,567
Circuit Clerk's Interest		1,702	2,560	1,332	2,930
Associate Circuit Interest		11,306	7,283	18,589	0
Total	$	3,625,766	3,613,176	3,967,240	3,271,702

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 234,400	244,449	10,049	218,500	234,362	15,862
Sales taxes	185,100	189,279	4,179	170,000	185,138	15,138
Intergovernmental	58,355	58,699	344	30,500	53,531	23,031
Charges for services	222,500	242,572	20,072	212,000	219,630	7,630
Interest	15,000	13,613	-1,387	15,000	14,461	-539
Other	34,016	59,473	25,457	9,500	64,824	55,324
Transfers in	0	18,094	18,094	0	0	0
Total Receipts	749,371	826,179	#VALUE!	655,500	771,946	#VALUE!
DISBURSEMENTS						
County Commission	63,623	63,329	294	54,930	54,115	815
County Clerk	62,210	61,662	548	55,224	54,286	938
Elections	41,654	40,365	1,289	32,950	25,045	7,905
Buildings and grounds	98,748	95,382	3,366	72,776	66,391	6,385
Employee fringe benefits	35,000	34,545	455	34,000	30,102	3,898
County Treasurer and Ex Officio Collector	52,528	51,132	1,396	47,615	47,615	0
Ex Officio Recorder of Deeds	14,820	14,087	733	14,955	14,614	341
Associate Circuit Court	9,400	6,456	2,944	8,350	7,179	1,171
Court administration	14,364	11,630	2,734	14,524	7,319	7,205
Public Administrator	33,560	30,157	3,403	32,020	22,288	9,732
Sheriff	205,093	213,057	-7,964	173,712	170,793	2,919
Jail	33,800	33,030	770	27,205	14,892	12,313
Prosecuting Attorney	67,269	66,531	738	88,115	81,034	7,081
Juvenile Officer	43,318	42,476	842	46,097	40,555	5,542
County Coroner	12,940	10,442	2,498	9,802	7,620	2,182
Other	113,648	118,278	-4,630	131,663	124,209	7,454
Transfers out	0	29,795	-29,795	0	29,795	-29,795
Emergency Fund	33,000	20,084	12,916	30,000	15,016	14,984
Total Disbursements	934,975	942,438	-7,463	873,938	812,868	61,070
RECEIPTS OVER (UNDER) DISBURSEMENTS	-185,604	-116,259	#VALUE!	-218,438	-40,922	#VALUE!
CASH, JANUARY 1	240,801	240,801	0	281,723	281,723	0
CASH, DECEMBER 31	$ 55,197	124,542	#VALUE!	63,285	240,801	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 370,000	371,487	1,487	350,000	370,358	20,358
Intergovernmental	818,000	1,173,499	355,499	1,110,000	804,732	-305,268
Charges for services	20,000	22,984	2,984	17,000	18,967	1,967
Interest	60,000	85,807	25,807	60,000	79,109	19,109
Other	1,500	24,856	23,356	1,000	4,486	3,486
Total Receipts	1,269,500	1,678,633	409,133	1,538,000	1,277,652	-260,348
DISBURSEMENTS						
Salaries	153,664	160,233	-6,569	144,304	127,295	17,009
Employee fringe benefits	49,337	27,325	22,012	23,239	29,659	-6,420
Supplies	11,300	7,258	4,042	18,300	7,498	10,802
Insurance	0	0	0	25,000	0	25,000
Road and bridge materials	300,000	176,697	123,303	270,000	192,919	77,081
Equipment repairs	7,000	0	7,000	0	2,793	-2,793
Equipment purchases	100,000	93,394	6,606	100,000	40,690	59,310
Construction, repair, and maintenance	1,240,000	632,457	607,543	495,000	922,770	-427,770
Other	582,500	72,994	509,506	1,231,100	16,207	1,214,893
Transfers out	40,000	0	40,000	40,000	0	40,000
Total Disbursements	2,483,801	1,170,358	1,313,443	2,346,943	1,339,831	1,007,112
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,214,301	508,275	1,722,576	-808,943	-62,179	746,764
CASH, JANUARY 1	1,448,752	1,448,752	0	1,510,931	1,510,931	0
CASH, DECEMBER 31	$ 234,451	1,957,027	1,722,576	701,988	1,448,752	746,764

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 100,831	97,492	-3,339	90,000	88,516	-1,484
Charges for services	7,900	1,085	-6,815	8,000	583	-7,417
Interest	1,500	1,418	-82	1,500	1,577	77
Total Receipts	110,231	99,995	-10,236	99,500	90,676	-8,824
DISBURSEMENTS						
Assessor	122,663	115,793	6,870	110,856	91,855	19,001
Total Disbursements	122,663	115,793	6,870	110,856	91,855	19,001
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,432	-15,798	-3,366	-11,356	-1,179	10,177
CASH, JANUARY 1	21,544	21,544	0	22,723	22,723	0
CASH, DECEMBER 31	$ 9,112	5,746	-3,366	11,367	21,544	10,177

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,300	8,603	3,303	3,000	5,330	2,330
Interest	100	405	305	0	80	80
Total Receipts	5,400	9,008	3,608	3,000	5,410	2,410
DISBURSEMENTS						
Sheriff	6,500	3,056	3,444	3,600	2,290	1,310
Total Disbursements	6,500	3,056	3,444	3,600	2,290	1,310
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,100	5,952	7,052	-600	3,120	3,720
CASH, JANUARY 1	4,532	4,532	0	1,412	1,412	0
CASH, DECEMBER 31	$ 3,432	10,484	7,052	812	4,532	3,720

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,600	1,886	-714	2,500	2,613	113
Interest	200	255	55	0	191	191
Total Receipts	2,800	2,141	-659	2,500	2,804	304
DISBURSEMENTS						
Prosecuting Attorney	3,000	380	2,620	3,000	1,884	1,116
Total Disbursements	3,000	380	2,620	3,000	1,884	1,116
RECEIPTS OVER (UNDER) DISBURSEMENTS	-200	1,761	1,961	-500	920	1,420
CASH, JANUARY 1	4,219	4,219	0	3,299	3,299	0
CASH, DECEMBER 31	$ 4,019	5,980	1,961	2,799	4,219	1,420

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,300	4,668	368	4,500	4,354	-146
Interest	100	23	-77	0	81	81
Total Receipts	4,400	4,691	291	4,500	4,435	-65
DISBURSEMENTS						
Recorder of Deeds	7,100	6,445	655	5,000	2,393	2,607
Total Disbursements	7,100	6,445	655	5,000	2,393	2,607
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,700	-1,754	946	-500	2,042	2,542
CASH, JANUARY 1	3,968	3,968	0	1,926	1,926	0
CASH, DECEMBER 31	$ 1,268	2,214	946	1,426	3,968	2,542

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 12,400	11,924	-476	9,500	12,445	2,945
Interest	350	549	199	300	337	37
Total Receipts	12,750	12,473	-277	9,800	12,782	2,982
DISBURSEMENTS						
Salaries	4,846	5,752	-906	3,695	3,947	-252
Office expenditures	6,600	5,205	1,395	7,050	5,912	1,138
Total Disbursements	11,446	10,957	489	10,745	9,859	886
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,304	1,516	212	-945	2,923	3,868
CASH, JANUARY 1	9,327	9,327	0	6,404	6,404	0
CASH, DECEMBER 31	$ 10,631	10,843	212	5,459	9,327	3,868

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 500	465	-35	500	495	-5
Total Receipts	500	465	-35	500	495	-5
DISBURSEMENTS						
Women's & children's shelter	500	465	35	500	770	-270
Total Disbursements	500	465	35	500	770	-270
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	-275	-275
CASH, JANUARY 1	0	0	0	275	275	0
CASH, DECEMBER 31	$ 0	0	0	275	0	-275

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 100	0	-100
Total Receipts	100	0	-100
DISBURSEMENTS			
Prosecuting Attorney	100	0	100
Total Disbursements	100	0	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	153	153	0
CASH, DECEMBER 31	$ 153	153	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 142,500	135,609	-6,891	133,000	132,838	-162
Interest	2,000	3,326	1,326	1,000	1,861	861
Other	0	667	667	0	0	0
Transfers in	0	29,795	29,795	0	29,795	29,795
Total Receipts	144,500	169,397	24,897	134,000	164,494	30,494
DISBURSEMENTS						
Salaries	85,947	81,304	4,643	73,091	74,425	-1,334
Equipment	27,000	6,234	20,766	52,600	26,575	26,025
Mapping	20,000	0	20,000	10,000	9,804	196
Utilities	60,000	38,800	21,200	60,000	29,094	30,906
Other	2,200	972	1,228	3,286	199	3,087
Total Disbursements	195,147	127,310	67,837	198,977	140,097	58,880
RECEIPTS OVER (UNDER) DISBURSEMENTS	-50,647	42,087	92,734	-64,977	24,397	89,374
CASH, JANUARY 1	56,773	56,773	0	32,376	32,376	0
CASH, DECEMBER 31	$ 6,126	98,860	92,734	-32,601	56,773	89,374

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAKE PROJECT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales Taxes	$ 185,000	184,460	-540	175,000	185,138	10,138
Intergovermental	2,901	2,090	-811	2,901	2,901	0
Interest	30,099	33,674	3,575	25,000	30,470	5,470
Total Receipts	218,000	220,224	2,224	202,901	218,509	15,608
DISBURSEMENTS						
Debt Service - principal	45,000	45,000	0	77,000	45,000	32,000
- interest	61,000	57,247	3,753	29,000	60,670	-31,670
Maintenance	30,000	18,119	11,881	30,000	23,947	6,053
Total Disbursements	136,000	120,366	15,634	136,000	129,617	6,383
RECEIPTS OVER (UNDER) DISBURSEMENTS	82,000	99,858	17,858	66,901	88,892	21,991
CASH, JANUARY 1	648,983	648,983	0	560,091	560,091	0
CASH, DECEMBER 31	$ 730,983	748,841	17,858	626,992	648,983	21,991

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRESTVIEW NURSING HOME FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 10,000	13,276	3,276	10,000	12,089	2,089
Other	110,253	120,276	10,023	120,276	110,253	-10,023
Total Receipts	120,253	133,552	13,299	130,276	122,342	-7,934
DISBURSEMENTS						
Debt Service - principal	24,283	24,283	0	20,337	20,337	0
- interest	57,785	57,785	0	54,892	54,892	0
Repairs and replacement	50,000	6,738	43,262	15,000	37,485	-22,485
Total Disbursements	132,068	88,806	43,262	90,229	112,714	-22,485
RECEIPTS OVER (UNDER) DISBURSEMENTS	-11,815	44,746	56,561	40,047	9,628	-30,419
CASH, JANUARY 1	280,349	280,349	0	270,721	270,721	0
CASH, DECEMBER 31	$ 268,534	325,095	56,561	310,768	280,349	-30,419

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BOND # 2 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 800	0	-800	0	892	892
Total Receipts	800	0	-800	0	892	892
DISBURSEMENTS						
Transfers out	0	18,094	-18,094	0	0	0
Total Disbursements	0	18,094	-18,094	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	800	-18,094	-18,894	0	892	892
CASH, JANUARY 1	18,094	18,094	0	17,202	17,202	0
CASH, DECEMBER 31	$ 18,894	0	-18,894	17,202	18,094	892

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRESTVIEW ADDITION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 3,500	1,547	-1,953	0	3,854	3,854
Other	90,000	105,106	15,106	93,600	91,220	-2,380
Total Receipts	93,500	106,653	13,153	93,600	95,074	1,474
DISBURSEMENTS						
Debt Service - principal	25,000	25,000	0	25,000	25,000	0
- interest	64,555	64,956	-401	68,600	69,038	-438
Construction	70,792	44,830	25,962	393,200	326,173	67,027
Total Disbursements	160,347	134,786	25,561	486,800	420,211	66,589
RECEIPTS OVER (UNDER) DISBURSEMENTS	-66,847	-28,133	38,714	-393,200	-325,137	68,063
CASH, JANUARY 1	70,791	70,791	0	395,928	395,928	0
CASH, DECEMBER 31	$ 3,944	42,658	38,714	2,728	70,791	68,063

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL POOR FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 3,000	3,621	621	3,000	3,378	378
Other	5,000	12,500	7,500	5,000	0	-5,000
Total Receipts	8,000	16,121	8,121	8,000	3,378	-4,622
DISBURSEMENTS						
Assistance program	17,100	2,363	14,737	17,450	4,846	12,604
Children's Mercy	2,150	2,150	0	1,800	1,800	0
Local Transit	750	750	0	750	0	750
Total Disbursements	20,000	5,263	14,737	20,000	6,646	13,354
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,000	10,858	22,858	-12,000	-3,268	8,732
CASH, JANUARY 1	64,145	64,145	0	67,413	67,413	0
CASH, DECEMBER 31	$ 52,145	75,003	22,858	55,413	64,145	8,732

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOTTIE WILSON TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 1,200	1,347	147	1,200	1,299	99
Total Receipts	1,200	1,347	147	1,200	1,299	99
DISBURSEMENTS						
Assistance to indigent	3,000	598	2,402	3,000	691	2,309
Total Disbursements	3,000	598	2,402	3,000	691	2,309
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,800	749	2,549	-1,800	608	2,408
CASH, JANUARY 1	25,350	25,350	0	24,742	24,742	0
CASH, DECEMBER 31	$ 23,550	26,099	2,549	22,942	25,350	2,408

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 2,000	2,468	468
Interest	0	340	340
Total Receipts	2,000	2,808	808
DISBURSEMENTS			
Emergency Planning	1,725	1	1,724
Total Disbursements	1,725	1	1,724
RECEIPTS OVER (UNDER) DISBURSEMENTS	275	2,807	2,532
CASH, JANUARY 1	5,918	5,918	0
CASH, DECEMBER 31	$ 6,193	8,725	2,532

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 95,000	103,731	8,731	95,000	94,863	-137
Intergovernmental	97,405	93,736	-3,669	88,000	96,814	8,814
Charges for services	607,875	563,291	-44,584	605,000	606,996	1,996
Interest	17,500	20,207	2,707	17,000	17,424	424
Other	12,150	6,605	-5,545	0	12,058	12,058
Total Receipts	829,930	787,570	-42,360	805,000	828,155	23,155
DISBURSEMENTS						
Salaries	527,382	506,426	20,956	547,275	527,029	20,246
Office expenditures	242,777	159,964	82,813	181,330	242,308	-60,978
Equipment	9,460	19,081	-9,621	26,598	9,386	17,212
Mileage and training	54,879	42,733	12,146	43,653	54,679	-11,026
Other	40,015	0	40,015	0	40,013	-40,013
Total Disbursements	874,513	728,204	146,309	798,856	873,415	-74,559
RECEIPTS OVER (UNDER) DISBURSEMENTS	-44,583	59,366	103,949	6,144	-45,260	-51,404
CASH, JANUARY 1	360,506	360,506	0	405,766	405,766	0
CASH, DECEMBER 31	$ 315,923	419,872	103,949	411,910	360,506	-51,404

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK'S INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 3,000	3,998	998
Total Receipts	3,000	3,998	998
DISBURSEMENTS			
Circuit Clerk	5,500	2,126	3,374
Total Disbursements	5,500	2,126	3,374
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,500	1,872	4,372
CASH, JANUARY 1	2,930	2,930	0
CASH, DECEMBER 31	$ 430	4,802	4,372

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Local Emergency Planning Committee Fund	1997
Disaster Fund	1997
Law Library Fund	1998 and 1997
Circuit Clerk's Interest Fund	1997
Associate Circuit Interest Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	1998
Domestic Violence Fund	1997
Crestview Nursing Home Fund	1997
Bond #2 Fund	1998
Health Center Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the 911 Fund for the year ended December 31, 1997.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	1998
Law Library Fund	1998 and 1997
Circuit Clerk's Interest Fund	1998 and 1997
Associate Circuit Interest Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial

institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by commercial insurance provided through a surety bond or by collateral securities held by an agent of the county in the county's name.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by an agent of the Health Center Board.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $131,547 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $54,922. As of December 31, 1998, $26,002 remains to be paid.

Supplementary Schedule

Schedule

HARRISON COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
10.1	Direct Program - Conservation Reserve Program (CRP)	N/A	$ 2,090	2,901
	Passed through state:			
	Department of Health - Special			
	Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	ERO045-7140	24,176	26,514
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
	Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	5,651	5,344
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			
	Transportation Commission - Off-System			
	Bridge Replacement and Rehabilitation			
20.2	Program	BRO 041 (15)	0	13,256
		BRO 041 (16)	78,873	126,144
		BRO 041 (17)	8,611	150,413
		BRO 041 (19)	10,557	5,533
		BRO 041 (20)	11,434	3,151
		BRO 041 (21)	67	9,801
	Program Total		109,542	308,298
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	8,436	2,821
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	PG0064-9140IAP	5,615	5,335
	Department of Health -			
	Child Care and Development Block Grant			
93.6	Maternal and Child Health Services	ERO146-9140	1,399	740
94.0	Block Grant to the States	ERO146-7140	13,642	16,441
	Total Expenditures of Federal Awards		$ 170,551	368,394

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

HARRISON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Harrison County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Harrison County, Missouri

Compliance

We have audited the compliance of Harrison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Harrison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

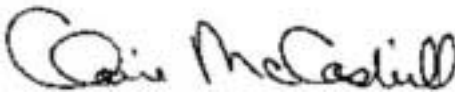
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Harrison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Harrison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 30, 1999 (fieldwork completion date)

Schedule

HARRISON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 and 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	X no
Reportable conditions identified that are not considered to be material weakness?	_____ yes	X none reported
Noncompliance material to the financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major program:		
Material weakness identified?	_____ yes	X no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	X none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	X no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HARRISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HARRISON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HARRISON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 30, 1999. We also have audited the compliance of Harrison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 30, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Harrison County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for audits performed in accordance with *Government Auditing Standards.*

1. Budgets and Published Financial Statements

A. Formal budgets were not prepared for various county funds for the years ended December 31, 1998 and 1997.

Chapter 50, RSMo 1994, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing budgets or obtaining budgets for all county funds, the County Commission would be able to more effectively evaluate all county resources.

B. For the year ended December 31, 1997, budgeted expenditures in the 911 Fund exceeded budgeted revenues plus beginning balances resulting in a budgeted deficit of $32,601.

Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting and Section 50.740, RSMo 1994 requires a balanced budget.

C. Warrants were issued in excess of approved budgeted expenditures in the following funds during the two years ended December 31, 1998:

	Year Ended December 31,	
Fund	1998	1997
General Revenue	$ 7,463	N/A
Domestic Violence	N/A	270
Crestview NH	N/A	22,485
Bond #2	18,094	N/A
Health Center	N/A	74,559

It was ruled in State Ex. Rel. Strong v. Cribb, 364 Mo.1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cumulative Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

D. The approved budget documents did not adequately project the anticipated disbursements of the Special Road and Bridge Fund for the two years ended December 31, 1998, as follows:

Year Ended	Disbursements	
December 31	Budget	Actual
1998	$ 2,483,801	1,170,358
1997	2,346,943	1,339,831

The County Commission indicated that they have tried to budget to allow for unanticipated emergencies.

Overestimating disbursements results in an unreasonable anticipated ending cash balance and the loss of the use of the budget as a management planning tool and as a control over disbursements.

For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operations and current financial position, the budgets should accurately reflect resources on hand, reasonable estimates of receipts and disbursements, and the anticipated ending cash balances.

E. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Conditions A, C, D, and E were noted in our prior report.

WE RECOMMEND the County Commission:

A. Ensure budgets are prepared or obtained for all county funds.

B. Refrain from approving budgeted expenditures in excess of available monies.

C. And the Health Center Board not authorize warrants in excess of budgeted expenditures.

D. Estimate disbursements more reasonably.

E. And the Health Center Board ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

The County Commission responded that:

A-E. These will be done.
The Health Center responded that:

C. We concur. Budgets will be amended as required.

E. There was a financial statement printed; however, it was not the correct form. We will ensure the financial statement is correctly published in the future.

2. Expenditures

During our review of expenditures the following concerns were noted:

A. Some bids were not advertised by the county. Examples of the items purchased without advertisement are as follows:

Item	Amount
Bridge steel	$12,928
Crawler dozer	38,000
Bridge repairs	7,297
Bridge pilings	12,446
Used truck and trailer	8,750

Section 50.660, RSMo Cumulative Supp. 1998, requires advertisement of bids for all purchases of $4,500 or more.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence that the county's established purchasing procedures as well as statutory requirements are followed.

B. The County Commission approved some payments to vendors, including payments for gravel delivered to townships, without requiring acknowledgment of receipt of goods or services. As a result, the county does not always have adequate assurance it is paying for actual goods and services received.

To ensure the validity and propriety of expenditures, adequate supporting documentation, including acknowledgment that the specific goods and/or services were in fact received, should be maintained for all payments to vendors.

WE RECOMMEND the County Commission :

A. Ensure that bids are advertised in accordance with statutes.

B. Require acknowledgment of receipt of goods and/or services prior to payment.

AUDITEE'S RESPONSE

The County Commission responded that:

A. Bids will be advertised when necessary.

B. This has been implemented.

3. Property Tax Books and Controls

Our review of the county's property tax system noted the following concerns:

A. The County Clerk does not maintain an account book with the Ex Officio County Collector (EOC).

An account book would summarize all taxes charged to the EOC, monthly collections, delinquent credits, abatements and additions, and protested amounts and would enable the County Clerk and the County Commission to ensure the amount of taxes charged and credited to the EOC each year is complete and accurate.

B. Court orders for additions and abatements are prepared by the County Clerk and approved by the County Commission once a year.

The timely approval of additions and abatements provides greater assurance that all adjustments to the tax books are proper.

Condition A was noted in our prior report.

WE RECOMMEND:

A. The County Clerk establish and maintain an account book of the EOC's transactions and use the account book to verify the EOC's annual settlements.

B. The County Commission review and approve all additions and abatements on a more timely basis.

AUDITEE'S RESPONSE

A. I will maintain a tax book with the EOC.

B. This will be done.

4. Circuit Clerk and Ex Officio Recorder of Deeds Accounting Procedures

The associate and probate divisions were consolidated with the circuit division on August 1, 1997. During our review of the Circuit Clerk and Ex Officio Recorder of Deeds' accounting procedures the following concerns were noted:

A. Numerous sets of manual receipt slips were in use simultaneously. We noted the following concerns during our review of these receipts:

1) The manual receipts issued for traffic monies received were not prenumbered. To adequately account for all monies received, prenumbered receipt slips should be issued for all monies received.

2) The manual receipts issued for installment payments were not always issued in order. To adequately account for all receipts, procedures should be established to ensure receipt slips are issued in order and to account for the numerical sequence of all receipt slips.

3) Mode of payment is not always indicated on receipt slips issued and procedures were not established to reconcile amounts received to deposits. As a result of these deficiencies, $440 received on June 24, 1998, was not deposited or posted to case files until September 9, 1998, when it was discovered in the vault. To ensure all collections are properly deposited into the bank account, the mode of payment should be recorded on all receipt slips, and the composition of the receipt slips should be reconciled to the composition of the bank deposits.

B. Accounting duties are not adequately segregated. One clerk is primarily responsible for preparing checks and deposit slips, preparing bank reconciliations, and maintaining the accounting records.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

C. Fees were not always charged in accordance with statute. During the two years ended December 31, 1998, unauthorized Prosecuting Attorney and Sheriff's fees totaling $105,940 were collected and deposited in the General Revenue Fund.

Through September 1998, a Prosecuting Attorney fee of twenty-five percent of the bond amount and a Sheriff's fee of $8 were deducted from all bonds posted at the weigh station. According to the court, these fees were based upon Sections 56.310 and 57.300, RSMo 1994. The circuit deemed these bonds as forfeited unless the defendant appeared in court. However, when the defendant posted the bond, he was required to sign a form which stated that the bond would be disbursed as if the person had been found guilty of the charge unless the defendant appeared in court. This appears to be an application of the bond instead of a forfeiture. These Prosecuting Attorney and Sheriff fees, along with court costs, were deducted from the posted bond and any remaining funds were treated as fines. While these fees were deducted before the fine amounts were calculated, there is no apparent statutory authority allowing this and it appears the circuit court should have paid these monies to schools as fines. Additionally these sections of law were repealed effective July 1, 1997.

D. The Circuit Clerk has not determined the interest earned on the child support account attributable to the state IV-D Program since the account became interest-bearing. Through December 31, 1998, the total amount of interest earned on the child support account, was $2,373.

Section 13 CSR 30-3.010 (5)(f) of the Code of State Regulations requires that when a child support account earns interest, the portion attributable to state IV-D child support monies is to be remitted monthly to the state. To comply with the state requirements, the Circuit Clerk should determine and disburse the portion of IV-D interest to the state on a monthly basis.

E. Various financial records could not be located. The Circuit Clerk and Ex Officio Recorder of Deeds could not locate bank statements and canceled checks for various months, as well as duplicate copies of invoices, and one case file. Proper record retention is necessary to ensure the validity of transactions and provide an audit trail.

F. During our review of expenditures from the Circuit Clerk's Interest Fund we noted some expenditures were not advertised for bid in accordance with state laws. Examples of expenditures which were not advertised for bid were the purchase of computer equipment for $5,938 and remodeling expenses in the amount of $10,305.

Section 50.660, RSMo Cumulative Supp. 1998, requires the advertisement for bids for all purchases of $4,500 or more from any one person, firm, or corporation during any period of ninety days.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

A.1. Ensure that prenumbered receipt slips are issued for all monies received.

2. Issue receipt slips in numerical order and ensure that procedures are established to account for the numerical sequence of all receipt slips.

3. Ensure that the mode of payment is recorded on all receipt slips and that the composition of the receipt slips is reconciled to the composition of the bank deposits. Procedures should also be established to ensure that all receipts are promptly posted to a corresponding case file.

B. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

C. Review this situation with the Circuit Judge and ensure that any fees collected in error are correctly disbursed.

D. Determine and disburse the portion of IV-D interest due to the state on a monthly basis.

E. Exercise greater care in the retention of records.

F. Advertise bids in accordance with state statutes.

AUDITEE'S RESPONSE

A.1.
&2. This has been implemented.

3. This procedure has been implemented.

B. This is being implemented with cross training and periodic supervisory reviews.

C. This matter has been addressed according to Statutes.

D. This has been implemented.

E. Steps have been taken to ensure safekeeping of all records.

F. Bids will be advertised according to statutes.

The County Commission responded:

C. This appears to have been a gross oversight on somebody's part. We will work with the schools to resolve this.

5. Sheriff's Records and Procedures

A. During our review of seized property, we noted the following concerns:

1) The Sheriff's Office maintains a listing of seized property within each case file; however, a complete centralized listing of all seized property in the custody of the Sheriff's department is not maintained.

A centralized detailed listing of all seized property in the custody of the Sheriff should be maintained. The listing should include applicable information such as case name and number, persons involved, the date the property was seized, a description of the property, current location of the property, the date the property was released or disposed of, and the method of disposal, if applicable.

2) The Sheriff stores several old guns that do not have any tags identifying the case number or the original owner. According to the Sheriff, these guns were not tagged when he came into office January 1, 1997. The owners of the untagged property cannot be identified nor can the seized property be identified to a specific case.

Section 542.301(5), RSMo Cumulative Supp. 1998, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper access or use.

B. The Sheriff's department houses prisoners for other counties and cities in the county jail and bills and collects amounts for these services from the various entities. Our review of these services indicated the following areas where improvements are needed:

1) The Sheriff does not maintain a log of amounts billed to or collected from the various entities. In addition an independent reconciliation of the Sheriff's billing records and payments received by the County Treasurer is not performed.

The Sheriff should maintain a log of amounts billed to and collected from the various entities. Also, an independent reconciliation of the Sheriff's billing records and payments received by the County Treasurer should be performed.

2) No written agreements exist with these various entities for these services. Section 432.070, RSMo 1994, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

Conditions A.1. and B. were noted in our prior report.

WE RECOMMEND the Sheriff:

A.1. Maintain a centralized detail listing of all seized property received including information such as a description, persons involved, current location, case number, and disposition of such property. Additionally, all items should be tagged with a description, case name, and an inventory control number.

2. Make timely and appropriate dispositions of seized property.

B.1. Maintain a log of amounts billed to the various entities for board of prisoners. In addition, an independent reconciliation of the Sheriff's billing records and the payments received by the County Treasurer should be performed.

2. Obtain written agreements for boarding prisoners from the various entities.

AUDITEE'S RESPONSE

A.1. This is currently being done.

2. We will obtain a court order and dispose of these items.

B. This has been implemented.

6. Public Administrator

The Public Administrator acts as the court appointed personal representative for approximately 39 wards of the Probate Court. Our review of the Public Administrator's records revealed the following concerns:

A. The Public Administrator pays attorneys from the funds of the various estates to provide various services, including the filing of all of her annual settlements. We noted several attorneys did not file invoices to support their requests for fees. As a result, we were unable to determine whether such payments were reasonable or necessary.

Section 473.543, RSMo Cumulative Supp. 1998, requires the public administrator to have supporting documentation for all disbursements. Invoices should be submitted that describe the services provided, the date they were performed, and the number of

hours worked. Without such documentation, it is difficult to assess the reasonableness of costs charged to and paid by clients of the Public Administrator.

B. Real estate owned by the various estate/wards was not accounted for on the settlements. For settlements to accurately present the activity and status of a particular case, all assets should be properly reflected on the settlements.

C. Some annual settlements were not filed timely. We noted three settlements due April 1995, December 1996, and February 1997, where not filed until July 1997, December 1997, and May 1998, respectively. Section 473.540, RSMo 1994, requires settlements to be filed annually.

Failure to file settlements on a timely basis increases the risk that errors or misuse of funds could go undetected.

Conditions A, B, and C were noted in our prior audit report.

WE AGAIN RECOMMEND the Public Administrator:

A. Obtain supporting documentation for all disbursements made on behalf of the estates.

B. List any real estate as assets on the settlements.

C. File annual settlements on a timely basis.

AUDITEE'S RESPONSE

A. This will be done.

B&C. These have been implemented.

This report is intended for the information of the management of Harrison County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

HARRISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Harrison County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices

   A. Formal budgets were not prepared for various county funds for the years ended December 31, 1996 and 1995.

   B. Warrants were issued in excess of approved budgeted expenditures for various funds during the two years ended December 31, 1996.

   C. The approved budget documents did not adequately project the anticipated disbursements of the Special Road and Bridge Fund for the two years ended December 31, 1996.

   D. The annual published financial statements of the county did not include the financial activity of some county funds as required.

   Recommendation:

   The County Commission:

   A. Ensure budgets are prepared or obtained for all county funds.

   B. Not authorize warrants in excess of budgeted expenditures.

   C. Estimate disbursements as realistically as possible.

   D. Ensure financial information for all county funds is properly reported in the annual published financial statements.

   Status:

   A, B, C&D. Not implemented. See MAR No. 1.

2. County Courthouse Office Space

   A. The Prosecuting Attorney did not pay anything to the county for an office in the courthouse which was used for both county business and her private practice.

B. The license bureau rented office space in the courthouse for $50 a month. This amount had not been reevaluated for many years.

Recommendation:

The County Commission:

A. Evaluate the fair value and the propriety of providing office space for the Prosecuting Attorney's private practice.

B. Reevaluate the fair value of office space versus the rental amount received from the license bureau.

Status:

A. Not implemented. However, this is no longer a concern as the current Prosecuting Attorney does not have a private practice office in the courthouse.

B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

3. General Fixed Asset Records and Procedures

A. Additions and deletions had not been consistently recorded in the general fixed asset records and were not reconciled to equipment expenditures.

B. Property records were not maintained in a manner that allowed beginning balances, additions, and deletions for each year to be reconciled to balances at the end of each year.

C. Statutorily required information regarding date and source of acquisition by fund, date and method of disposition, and historical cost information was not recorded for most general fixed asset items.

D. County asset items were not all numbered, tagged or otherwise identified as county property.

E. Documentation of an annual inventory of all general fixed assets was not maintained.

Recommendation:

The County Clerk:

A. Maintain general fixed asset records on a current basis to reflect all additions and deletions as they occur, and periodically reconcile additions of assets to expenditures for equipment to ensure additions are properly recorded.

B. Maintain general fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

C. Record all required information in the general fixed asset records and keep the record on a current basis.

D. Identify all general fixed asset items with an original cost of $250 or more with a number, tag, or similar device.

E. Document annual inventories of county-owned property in accordance with Section 51.155, RSMo Cumm. Supp. 1996.

Status:

A,B,C, D&E Not implemented. Although not repeated in the current report, our recommendations remain as stated above.

4. Property Tax System

The County Clerk did not maintain an account book with the Ex Officio County Collector (EOC) in accordance with state law.

Recommendation:

The County Clerk establish and maintain an account book of the EOC's transactions and the County Commission make use of the account book to verify the EOC's annual settlements.

Status:

Not implemented. See MAR No. 3.

5. Special Poor Fund

The Special Poor Fund had a large cash balance and no documentation was available to show that the county had made the necessary efforts to effectively distribute these monies to the poor and needy of the county.

Recommendation:

The County Commission make a greater effort to disburse the accumulated monies in the Special Poor Fund in accordance with the stated wishes of the donating trust fund.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

6. Telephone Commissions

The former Sheriff indicated that telephone commissions had been used to purchase personal items for the prisoners and office equipment for the jail; however, no documentation was retained to support these disbursements. The County Commission indicated that they had reviewed the equipment at the jail and were sure it was not purchased with county funds.

Recommendation:

The County Commission require the former Sheriff to provide documentation of how the monies were spent.

Status:

Partially implemented. The County Commission obtained a letter from the former Sheriff which estimated expenditures from telephone commissions; however, no supporting documentation was provided for these expenditures. Although not repeated in the current report, our recommendation remains as stated above.

7. Sheriff's Records and Procedures

A. Receipts for bonds collected at the weigh station were not deposited on a timely basis.

B. Receipts were not always deposited intact.

C. A complete centralized listing of all seized property in the custody of the Sheriff's department was not maintained.

D. The Sheriff's department housed prisoners for other counties and cities however, he did not maintain a log of amounts billed to or collected from the various entities or maintain written agreements with these various entities for these services.

E. Time sheets prepared did not always reflect actual time worked.

Recommendation:

The Sheriff:

A. Require deposits be made daily or when accumulated receipts exceed $100.

B. Ensure all receipts are deposited intact.

C. Maintain a centralized listing of all seized property held in his custody and make timely and appropriate dispositions of seized property.

D.1. Maintain a log of amounts billed to the various entities for board of prisoners, follow up on any unpaid bills on a timely basis, and instruct the various entities to send their payments directly to the County Treasurer. In addition, an independent reconciliation of the Sheriff's billing records and the payments received by the County Treasurer should be performed.

2. Obtain written agreements for boarding prisoners from the various entities.

E. Require all employees report actual time worked on their monthly time sheets and determine the overtime requirements for employees who work for the county in more than one job position.

Status:

A, B, & E. Implemented.

C, D.1, & 2. Not implemented. See MAR No. 5.

8. Public Administrator

A. Several attorneys used by the Public Administrator to provide various services did not file invoices to support their requests for fees.

B. Real estate and burial policies owned by the various estate/wards were not accounted for on the settlements.

C. There were several instances where the Public Administrator did not file a settlement annually.

Recommendation:

The Public Administrator:

A. Obtain supporting documentation for all disbursements made on behalf of the estates.

B. List any real estate and burial policies as assets on the settlements.

C. File annual settlements on a timely basis.

Status:

A, B, & C. Not implemented. See MAR No. 6.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HARRISON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Harrison was named after Albert G. Harrison, a member of the U.S. Congress. Harrison County is a township-organized, third-class county and is part of the 3rd Judicial Circuit. The county seat is Bethany.

Harrison County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Harrison County received its money in 1998, and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 244,449	10	234,362	11
Sales taxes	560,766	22	555,496	27
Federal and state aid	1,232,198	49	858,263	42
Fees, interest, and other	467,399	19	401,477	20
Total	$ 2,504,812	100	2,049,598	100

The following chart shows how Harrison County spent monies in 1998, and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 576,902	27	497,974	23
Public safety	365,536	17	314,894	15
Highways and roads	1,170,358	56	1,339,831	62
Total	$ 2,112,796	100	2,152,699	100

The county has approximately 200 county bridges and 681 miles of county roads which are maintained by the various townships.

::

The county's population was 10,257 in 1970 and 8,469 in 1990. The following chart shows the

county's change in assessed valuation since 1970:

	Year Ended December 31,					
	1998	1997	1996	1985*	1980**	1970**
	(in millions)					
Real estate	$ 45.3	45.0	39.6	48.3	26.9	21.4
Personal property	18.1	17.3	16.8	14.9	10.1	7.1
Railroad and utilities	5.7	5.7	5.9	3.6	4.5	5.8
Total	$ 69.1	68.0	62.3	66.8	41.5	34.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Harrison County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ 0.35	0.35
Health Center Fund	0.14	0.14

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for the county and most other local governments (except cities). Taxes collected were distributed as follows:

		Year Ended February 28,	
		1998	1997
State of Missouri	$	21,552	20,837
General Revenue Fund		254,701	246,650
Assessment Fund		43,292	44,421
Health Center Fund		98,744	95,437
Schools		2,702,995	2,540,609
Fire districts		48,311	46,529
Townships		497,022	483,160
Ambulance Districts		238,228	232,430
Hospital District		339,956	328,530
Watershed District		44,529	27,469
City Tax Increment		21,581	30,440
Brush Removal		479	250
Cities		35,576	36,446
County Employees' Retirement		16,117	15,371
Commissions and fees:			
Township Collectors		45,041	44,207
General Revenue Fund		32,255	31,278
Total	$	4,440,379	4,224,064

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	94.1 %	95.6 %

Personal property	94.4	94.9
Railroad and utilities	100.0	100.0

Harrison County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.0025	None	None
Special Road & Bridge		0.0050	2000	None
Lake Project		0.0025	2018	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Kenneth Rucker, Presiding Commissioner	$		20,241	16,820
Lyle Foster, Associate Commissioner			20,241	16,820
Mick Parkhurst, Associate Commissioner			20,241	16,820
Barbara Gates, County Clerk			32,040	28,990
R. Cristine Stallings, Prosecuting Attorney			37,901	33,079
Richard Stratton, Sheriff			36,321	32,154
Carl W. (Bill) Slaughter, County Coroner			9,500	5,961
Carol Provance, Public Administrator *			27,027	19,953
Julia Alexander Harris, Treasurer and Ex Officio County Collector, year ended March 31,		32,178	32,178	
Gene Buis, County Assessor **, year ended August 31,			35,373	26,800

* Includes fees received from probate cases.
** Includes $900 annual compensation received from the state.

State-Paid Officials:				
Laura Depriest, Circuit Clerk and Ex Officio Recorder of Deeds			42,183	40,176
Richard Parker, Associate Circuit Judge			85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk and Ex Officio Recorder of Deeds (1)	1	5
County Clerk (2)	2	0
Prosecuting Attorney	2	0
Sheriff	3	0
Treasurer and Ex Officio County Collector	1	0
County Assessor	3	0
911 (3)	7	0

Road and Bridge (3)	10	0
Health Center (4)	25	0
Janitor (3)	2	0
Total	56	5

(1) Includes one full-time employee, four part-time employees, and one employee paid partially by the state and partially by the county.
(2) Includes two part-time employees.
(3) Includes one part time employee.
(4) Includes twelve part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Harrison County's share of the 3rd Judicial Circuit's expenses is 30.46 percent.

At December 31, 1998, the county had bonds payable of $2,664,832 consisting of general obligation bonds dated August 1, 1989, and revenue bonds dated June 25, 1990 and September 15, 1996.

The 1989 bonds were issued in the original amount of $1,000,000. Bonds mature annually on August 1. Interest is due seimannually on February 1 and August 1. These bonds were issued to pay the county's share of the cost of constructing the Harrison County Lake. The project is a joint effort of the county, the City of Bethany, the West Fork of Big Creek Watershed Subdistrict, and the U.S. Department of Soil Conservation Service.

Project benefits include flood control, water supply, and recreation. Each participant is responsible for certain project costs and continuing operations of the project. The county's share of the total project costs is about 41 percent. In addition, the county will be responsible for the continuing maintenance of portions of the completed project.

The county's bond costs are financed by a 1/4 of 1 cent sales tax approved by county voters April 5, 1988.

The 1990 revenue bond was issued in the original amount of $1,100,000. Both principal and interest are due annually in installments of $82,060 on January 1. The 1990 bond was issued to refinance a $1,100,000 community facilities loan from the U.S. Department of Agriculture, U.S.D.A. Rural Development. The loan was for making repairs to the existing county-owned Crestview Home Facilities, constructing and furnishing a related residential care facility, and improving the driveway and parking lot. Revenue bond finance costs are to be paid from the facility's operating revenues by the Crestveiw Home Inc. (CHI). The CHI, a not-for-profit corportation, leases the facility from the county.

The 1996 revenue bond was issued in the orginal amount of $975,000. Principal is due October 1. Interest is due semiannually on April and October 1. The 1996 bond was issued for the purpose of extending, improving, furnishing, and equipping the existing county-owned Crestview Home facilities. Revenue bond finance costs are to be paid from the facilities's operating revenues by the CHI.

In the event of default by the CHI, the county would become responsible for assuring that the operation of the county-owned facilities produce gross revenue sufficient to pay the cost of the operation and maintenance of the facilities, to pay the principal and interest on both bonds as and

when the same become due, and to fund required reserves.

The county has made the required deposits to the Bond Reserve Funds and the Replacement and Extension Fund.

The annual requirements to amortize all debt outstanding at December 31, 1998 are as follows:

Year Ended December 31	Principal	Interest	Total
1999	105,659	174,266	279,925
2000	112,241	167,809	280,050
2001	118,922	160,793	279,715
2002	125,706	153,205	278,911
2003	132,599	145,101	277,700
2004	144,610	136,436	281,046
2005	151,745	126,950	278,695
2006	164,011	116,912	280,923
2007	171,417	105,981	277,398
2008	183,972	94,236	278,208
2009	201,684	81,624	283,308
2010	104,563	67,785	172,348
2011	112,620	60,768	173,388
2012	120,866	53,202	174,068
2013	129,311	45,077	174,388
2014	137,969	36,378	174,347
2015	146,853	27,095	173,948
2016	155,977	17,211	173,188
2017	75,354	6,714	82,068
2018	68,753	2,078	70,831
	$ 2,664,832	1,779,621	4,444,453

The Debt Service Funds at December 31, 1998, had $429,872 available to service the general obligation bonds.

* * * * *

AUDIT REPORT

SULLIVAN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-71
September 2, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Sullivan, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Sullivan County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The audit questioned the financial condition of the Sullivan County Memorial Hospital and the county's handling of tax anticipation notes obtained at the request of the Hospital Board. A related problem of the hospital not meeting its financial obligations to the Internal Revenue Service for employee payroll withholdings and required employer payroll matching contributions was also noted.

The audit recommended improvements in personnel policies and procedures, computer controls and better documentation of actions by the Sullivan County Salary Commission. It further suggested improvements be made by the Sullivan County 911 Board. Also included in the audit are recommendations regarding the Sheriff's accounting controls and procedures and various segments of the consolidated Sullivan County Circuit Court.

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Sullivan County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Sullivan County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

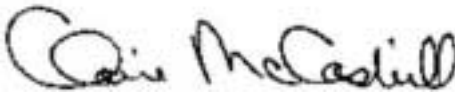
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Sullivan County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Sullivan County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Sullivan County, Missouri

We have audited the special-purpose financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Sullivan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Sullivan County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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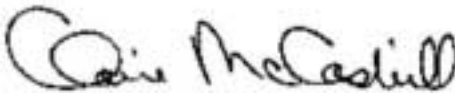
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

SULLIVAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	262,881	816,152	857,522	221,511
Special Road and Bridge		517,567	1,093,076	1,173,930	436,713
Assessment		0	104,661	100,396	4,265
Law Enforcement Training		2,656	2,984	4,358	1,282
Prosecuting Attorney Training		430	726	640	516
Prosecuting Attorney Delinquent Tax		1,157	182	294	1,045
Prosecuting Attorney Bad Check		5,591	4,995	4,004	6,582
Child Support Enforcement		1,693	61,993	61,978	1,708
Sheriff/Law Enforcement		3,971	5,245	7,015	2,201
Health Center		381,402	388,653	421,884	348,171
911 Board		124,523	202,825	115,450	211,898
Victims of Domestic Violence		335	340	665	10
Recorder User Fee		9,949	3,907	6,257	7,599
Circuit Clerk Interest		1,300	686	718	1,268
Associate Divison Interest		3,487	1,528	2,775	2,240
Law Library		92	745	705	132
Community Development Block Grant		0	4,731	4,695	36
Total	$	1,317,034	2,693,429	2,763,286	1,247,177

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SULLIVAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	176,703	763,137	676,959	262,881
Special Road and Bridge		365,855	1,399,645	1,247,933	517,567
Assessment		2,357	85,430	87,787	0
Law Enforcement Training		1,846	2,646	1,836	2,656
Prosecuting Attorney Training		407	1,075	1,052	430
Prosecuting Attorney Delinquent Tax		947	210	0	1,157
Prosecuting Attorney Bad Check		5,401	5,948	5,758	5,591
Child Support Enforcement		2,223	64,101	64,631	1,693
Sheriff/Law Enforcement		1,435	2,662	126	3,971
Health Center		368,430	368,198	355,226	381,402
911 Board		0	162,478	37,955	124,523
Victims of Domestic Violence		0	335	0	335
Recorder User Fee		6,520	3,429	0	9,949
Circuit Clerk Interest		1,011	1,063	774	1,300
Associate Division Interest		1,010	2,501	24	3,487
Law Library		80	767	755	92
Community Development Block Grant		0	319,142	319,142	0
Total	$	934,225	3,182,767	2,799,958	1,317,034

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 175,700	182,105	6,405	137,700	152,742	15,042
Sales taxes	390,000	369,453	-20,547	380,000	393,436	13,436
Intergovernmental	12,100	8,567	-3,533	9,300	11,834	2,534
Charges for services	129,200	147,150	17,950	105,100	135,962	30,862
Interest	24,000	24,763	763	10,000	12,108	2,108
Other	50,800	54,114	3,314	46,500	53,555	7,055
Transfers in	40,000	30,000	-10,000	1,000	3,500	2,500
Total Receipts	821,800	816,152	#VALUE!	689,600	763,137	#VALUE!
DISBURSEMENTS						
County Commission	53,500	51,487	2,013	54,250	50,642	3,608
County Clerk	47,822	47,262	560	45,656	44,998	658
Elections	36,000	35,250	750	13,000	19,876	-6,876
Buildings and grounds	273,802	206,259	67,543	70,052	65,889	4,163
Employee fringe benefits	36,000	31,624	4,376	35,000	33,290	1,710
County Treasurer	42,099	41,792	307	41,181	41,122	59
Ex-Officio Collector	4,000	3,557	443	5,000	4,555	445
Ex Officio Recorder of Deeds	14,950	14,888	62	15,323	15,064	259
Circuit Clerk/Consolidated Courts	13,937	13,402	535	10,914	10,541	373
Court administration	20,948	16,347	4,601	10,637	7,406	3,231
Public Administrator	19,810	14,579	5,231	19,550	19,271	279
Sheriff	185,304	176,112	9,192	200,127	193,308	6,819
Jail	38,250	66,954	-28,704	50,500	35,293	15,207
Prosecuting Attorney	39,999	40,527	-528	38,899	40,172	-1,273
Juvenile Officer	34,920	31,495	3,425	31,185	29,351	1,834
County Coroner	5,640	6,030	-390	5,540	5,404	136
Local Emergency Planning	1,500	239	1,261	3,200	1,833	1,367
Child Support Enforcement	1,003	506	497	1,302	654	648
Other	52,150	55,212	-3,062	50,900	52,751	-1,851
Transfers out	24,290	4,000	20,290	3,691	5,233	-1,542
Emergency Fund	33,000	0	33,000	26,000	306	25,694
Total Disbursements	978,924	857,522	121,402	731,907	676,959	54,948
RECEIPTS OVER (UNDER) DISBURSEMENTS	-157,124	-41,370	#VALUE!	-42,307	86,178	#VALUE!
CASH, JANUARY 1	262,881	262,881	0	176,703	176,703	0
CASH, DECEMBER 31	$ 105,757	221,511	#VALUE!	134,396	262,881	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,220,000	1,002,850	-217,150	1,480,000	1,326,100	-153,900
Charges for services	10,000	44,064	34,064	12,000	54,733	42,733
Interest	30,000	30,740	740	17,000	14,748	-2,252
Other	23,000	15,422	-7,578	0	4,064	4,064
Total Receipts	1,283,000	1,093,076	-189,924	1,509,000	1,399,645	-109,355
DISBURSEMENTS						
Salaries	127,000	113,571	13,429	125,000	121,866	3,134
Employee fringe benefits	20,200	16,322	3,878	22,600	19,693	2,907
Supplies	11,000	5,792	5,208	14,800	10,618	4,182
Insurance	4,600	4,057	543	4,400	4,617	-217
Road and bridge materials	195,000	257,204	-62,204	181,000	127,448	53,552
Equipment repairs	9,000	5,035	3,965	10,000	8,415	1,585
Equipment purchases	80,000	77,664	2,336	40,000	36,384	3,616
Construction, repair, and maintenance	839,000	611,918	227,082	1,000,000	840,766	159,234
Engineering	50,000	48,275	1,725	120,000	76,336	43,664
Other	4,000	4,092	-92	11,500	1,790	9,710
Transfers out	30,000	30,000	0	40,000	0	40,000
Total Disbursements	1,369,800	1,173,930	195,870	1,569,300	1,247,933	321,367
RECEIPTS OVER (UNDER) DISBURSEMENTS	-86,800	-80,854	5,946	-60,300	151,712	212,012
CASH, JANUARY 1	517,567	517,567	0	365,855	365,855	0
CASH, DECEMBER 31	$ 430,767	436,713	5,946	305,555	517,567	212,012

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 84,810	98,847	14,037	82,040	81,173	-867
Charges for services	300	614	314	250	337	87
Interest	1,000	1,200	200	600	1,187	587
Transfers in	14,290	4,000	-10,290	3,691	2,733	-958
Total Receipts	100,400	104,661	4,261	86,581	85,430	-1,151
DISBURSEMENTS						
Assessor	100,400	100,396	4	88,938	87,787	1,151
Total Disbursements	100,400	100,396	4	88,938	87,787	1,151
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	4,265	4,265	-2,357	-2,357	0
CASH, JANUARY 1	0	0	0	2,357	2,357	0
CASH, DECEMBER 31	$ 0	4,265	4,265	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,500	2,880	380	1,800	2,492	692
Interest	200	104	-96	80	154	74
Total Receipts	2,700	2,984	284	1,880	2,646	766
DISBURSEMENTS						
Sheriff	5,300	4,358	942	3,700	1,836	1,864
Total Disbursements	5,300	4,358	942	3,700	1,836	1,864
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,600	-1,374	1,226	-1,820	810	2,630
CASH, JANUARY 1	2,656	2,656	0	1,846	1,846	0
CASH, DECEMBER 31	$ 56	1,282	1,226	26	2,656	2,630

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,100	726	-374	900	1,070	170
Interest	10	0	-10	0	5	5
Total Receipts	1,110	726	-384	900	1,075	175
DISBURSEMENTS						
Prosecuting Attorney	1,450	640	810	1,250	1,052	198
Total Disbursements	1,450	640	810	1,250	1,052	198
RECEIPTS OVER (UNDER) DISBURSEMENTS	-340	86	426	-350	23	373
CASH, JANUARY 1	430	430	0	407	407	0
CASH, DECEMBER 31	$ 90	516	426	57	430	373

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 150	161	11	250	125	-125
Interest	90	21	-69	50	85	35
Total Receipts	240	182	-58	300	210	-90
DISBURSEMENTS						
Prosecuting Attorney	700	294	406	1,000	0	1,000
Total Disbursements	700	294	406	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-460	-112	348	-700	210	910
CASH, JANUARY 1	1,157	1,157	0	947	947	0
CASH, DECEMBER 31	$ 697	1,045	348	247	1,157	910

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 7,000	4,660	-2,340	4,500	5,608	1,108
Interest	400	335	-65	200	340	140
Total Receipts	7,400	4,995	-2,405	4,700	5,948	1,248
DISBURSEMENTS						
Prosecuting Attorney	9,000	4,004	4,996	10,000	5,758	4,242
Total Disbursements	9,000	4,004	4,996	10,000	5,758	4,242
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,600	991	2,591	-5,300	190	5,490
CASH, JANUARY 1	5,591	5,591	0	5,401	5,401	0
CASH, DECEMBER 31	$ 3,991	6,582	2,591	101	5,591	5,490

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILD SUPPORT ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 71,200	61,910	-9,290	74,825	61,390	-13,435
Interest	210	83	-127	167	211	44
Transfers in	10,000	0	-10,000	0	2,500	2,500
Total Receipts	81,410	61,993	-19,417	74,992	64,101	-10,891
DISBURSEMENTS						
Salaries	53,500	53,352	148	51,865	49,116	2,749
Office expenditures	10,800	5,514	5,286	12,300	8,522	3,778
Equipment expenditures	2,200	1,767	433	2,400	144	2,256
Training	4,700	1,345	3,355	4,760	1,505	3,255
Office move	0	0	0	3,500	1,844	1,656
Transfers out	11,500	0	11,500	1,000	3,500	-2,500
Total Disbursements	82,700	61,978	20,722	75,825	64,631	11,194
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,290	15	1,305	-833	-530	303
CASH, JANUARY 1	1,693	1,693	0	2,223	2,223	0
CASH, DECEMBER 31	$ 403	1,708	1,305	1,390	1,693	303

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF / LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,800	4,137	-663	1,200	1,446	246
Interest	300	452	152	100	121	21
Other	1,000	656	-344	0	1,095	1,095
Total Receipts	6,100	5,245	-855	1,300	2,662	1,362
DISBURSEMENTS						
Sheriff	9,000	7,015	1,985	2,700	126	2,574
Total Disbursements	9,000	7,015	1,985	2,700	126	2,574
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,900	-1,770	1,130	-1,400	2,536	3,936
CASH, JANUARY 1	3,971	3,971	0	1,435	1,435	0
CASH, DECEMBER 31	$ 1,071	2,201	1,130	35	3,971	3,936

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 59,402	66,447	7,045	65,000	64,645	-355
Intergovernmental	77,618	100,021	22,403	73,560	75,803	2,243
Charges for services	102,472	188,475	86,003	210,000	204,944	-5,056
Interest	17,000	18,858	1,858	20,000	17,401	-2,599
Other	5,000	14,852	9,852	15,840	5,405	-10,435
Total Receipts	261,492	388,653	127,161	384,400	368,198	-16,202
DISBURSEMENTS						
Salaries	332,800	330,912	1,888	297,000	284,369	12,631
Office expenditures	73,500	53,056	20,444	51,500	39,454	12,046
Equipment	15,000	8,756	6,244	5,800	3,978	1,822
Mileage and training	19,300	16,609	2,691	15,600	13,710	1,890
Other	15,000	12,551	2,449	14,500	13,715	785
Total Disbursements	455,600	421,884	33,716	384,400	355,226	29,174
RECEIPTS OVER (UNDER) DISBURSEMENTS	-194,108	-33,231	160,877	0	12,972	12,972
CASH, JANUARY 1	381,402	381,402	0	368,430	368,430	0
CASH, DECEMBER 31	$ 187,294	348,171	160,877	368,430	381,402	12,972

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 195,000	195,741	741	189,000	159,861	-29,139
Interest	11,101	7,084	-4,017	4,725	2,617	-2,108
Total Receipts	206,101	202,825	-3,276	193,725	162,478	-31,247
DISBURSEMENTS						
Project management	37,364	47,761	-10,397	45,000	37,955	7,045
Signs and hardware	50,000	25,940	24,060	0	0	0
Remodeling	51,000	36,019	14,981	0	0	0
Office equipment and supplies	5,000	3,909	1,091	0	0	0
Training	3,500	0	3,500	5,000	0	5,000
Radio improvements	21,000	300	20,700	0	0	0
Miscellaneous	5,000	1,521	3,479	0	0	0
Total Disbursements	172,864	115,450	57,414	50,000	37,955	12,045
RECEIPTS OVER (UNDER) DISBURSEMENTS	33,237	87,375	54,138	143,725	124,523	-19,202
CASH, JANUARY 1	124,523	124,523	0	0	0	0
CASH, DECEMBER 31	$ 157,760	211,898	54,138	143,725	124,523	-19,202

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VICTIMS OF DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 345	340	-5	350	335	-15
Interest	5	0	-5	0	0	0
Total Receipts	350	340	-10	350	335	-15
DISBURSEMENTS						
Shelter	685	665	20	350	0	350
Total Disbursements	685	665	20	350	0	350
RECEIPTS OVER (UNDER) DISBURSEMENTS	-335	-325	10	0	335	335
CASH, JANUARY 1	335	335	0	0	0	0
CASH, DECEMBER 31	$ 0	10	#VALUE!	0	335	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,000	3,386	386	3,000	2,930	-70
Interest	600	521	-79	400	499	99
Total Receipts	3,600	3,907	307	3,400	3,429	29
DISBURSEMENTS						
Recorder	13,000	6,257	6,743	9,500	0	9,500
Total Disbursements	13,000	6,257	6,743	9,500	0	9,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,400	-2,350	7,050	-6,100	3,429	9,529
CASH, JANUARY 1	9,949	9,949	0	6,520	6,520	0
CASH, DECEMBER 31	$ 549	7,599	#VALUE!	420	9,949	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Circuit Clerk Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Community Development Block Grant Fund	1998 and 1997

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show

receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Circuit Clerk's Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Community Development Block Grant Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance, by commercial insurance provided through a surety bond, or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.
The 911 Board's deposits at December 31, 1998, and 1997, were entirely covered by federal depositary insurance or collateral securities held by the board's custodial bank in the board's name.

Investments

The only investment of the various funds at December 31, 1998 and 1997, was owned by the Health Center and was comprised of a repurchase agreement in a reported amount of $29,000 and $55,050, respectively, (which approximated fair value).

This investment was held by the Health Center's custodial bank in the Health Center's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue,* 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue,* 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $69,146 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $39,640. As of December 31, 1998, $14,864 remains to be paid.

Supplementary Schedule

Schedule

SULLIVAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health - Special			
	Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	ER0045-9206	$ 24,306	23,451
	U.S. DEPARTMENT OF HOUSING AND URBAN			
	DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
	Community Development Block Grants/State's			
14.2	Program	95-HI-01	4,695	319,142
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety -			
	Missouri Sheriffs' Association - Domestic			
16.unknown	Cannabis Eradication/Suppression Program	NA	1,666	530
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			
	Transportation Commission -			
20.2	Off-System Bridge Replacement and			
	Rehabilitation Program	BRO105(7)	0	220,446
		BRO105(8)	23,994	396,563
		BRO105(9)	0	8,548
		BRO105(10)	0	96,958
		BRO105(11)	316,081	25,501
		BRO105(12)	0	33,829
		BRO105(17)	121,564	1,127
		BRO105(18)	15,470	26,519
	Program Total		477,109	809,491
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	PG0064-9206IAP	2,385	1,886
	Department of Social Services - Child Support			
93.6	Enforcement	NA	41,477	39,916

93.6	Child Care and Development Block Grant	PG0067-9206	275	0
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO146-9206MCH	14,184	12,710
		ERO175-8206FP	2,277	1,035
	Program Total		16,461	13,745
	Total Expenditures of Federal Awards		$ 568,374	1,208,161

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

SULLIVAN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Sullivan County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Because Sullivan County expended no noncash awards for the years ended December 31, 1998 and 1997, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Sullivan County, Missouri

Compliance

We have audited the compliance of Sullivan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Sullivan County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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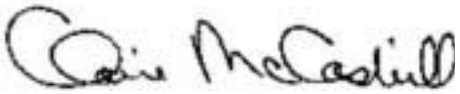
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Sullivan County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Schedule

SULLIVAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Noncompliance material to the financial statements noted?	_____ yes	x no

Federal Awards

Internal control over major program:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	x no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
14.228	Community Development Block Grants/States Program
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SULLIVAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SULLIVAN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

4. Monitoring of Subrecipient Federal Financial Assistance

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Missouri Department of Economic Development
Federal CFDA Number:	14.219
Program Title:	Community Development Block Grants/Small Cities Program
Pass-Through Entity Identifying Number:	95-ED-06
Award Years:	1996 and 1995
Questioned costs:	$0

The county did not review supporting documentation or perform subrecipient monitoring of a CDBG grant passed through to the City of Milan, MO. A total of $13,445 was paid for sales taxes charged on sixteen invoices related to this grant.

Recommendation:

The County Commission and the County Clerk monitor grant monies to ensure subrecipients are spending federal monies in accordance with applicable laws and regulations and also review invoices and annual audit report of the subrecipient.

Status:

Sullivan County did not pass-through grant monies to subrecipients during the current audit period. If we do pass through grant money, in the future, we will consider this recommendation.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

SULLIVAN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We also have audited the compliance of Sullivan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Sullivan County Memorial Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed the independent auditor's report for the two years ended June 30, 1997 and the substantiating working papers. The independent auditor's report for the year ended June 30, 1998 has not been released.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Sullivan County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Personnel Policies and Procedures

During our review of the county's personnel policies and procedures, we noted the following concerns:

A. Salaried employees in the Sheriff's Department are not required to submit time sheets.

Documentation of actual time worked and of leave and compensatory time earned, taken, and accumulated balances is necessary to ensure employees are properly compensated and treated equitably, and the county is in compliance with county policies and the Fair Labor Standards Act (FLSA). In addition, time sheets are necessary to protect against any unwarranted claims that might occur. The time records should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

B. The county's written personnel policy needs to be updated to properly reflect required work time policies. Our review of employee time sheets showed that the hours worked by various employees varied significantly. In addition, time sheets showed some employees had worked in excess of 40 hours but received no difference in pay for the extra hours.

Further, the county's written personnel policy does not include detailed policies regarding holidays, vacation, sick leave, time and leave reporting, payment of overtime or granting and use of compensatory time, compensation for unused leave upon termination, or additional compensation if an employee declines health insurance.

C. In February 1999, the county hired several dispatchers and began providing services for emergency dispatching (911). A review of the dispatchers' February time sheets showed that regardless of the number of days worked dispatchers were paid a full month's salary. Hours worked during February ranged from 89 to 129 hours. Additionally, some dispatchers' time sheets indicated the employee worked more than forty hours in one week, but did not receive compensation at one and one half times the normal rate as required by the FLSA.

The county's written policy should be expanded to address situations in which overtime may be necessary, document how overtime or compensatory time will be awarded, and ensure compliance with the FLSA. The county should consider consulting with the Department of Labor to determine which employees are exempt from overtime requirements, and incorporate any exemptions noted into the official overtime policy. The official policy should then be applied equally to all employees.

Complete and detailed written policies are necessary to provide guidance to county employees, provide a basis for proper compensation, ensure equitable treatment among employees, and avoid misunderstandings.

Conditions similar to A and B were noted in the prior report.

WE RECOMMEND the County Commission:

A. Require all county employees to complete time sheets which reflect actual time worked. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

B&C. Revise and expand the county's written personnel policies regarding holidays, vacation, sick leave, time reporting, and payment of overtime for all employees to address all relevant issues and ensure that all policies and procedures are applied equitably and in compliance with the FLSA. In addition, the county should ensure it has appropriately paid overtime at the employee's time and one half rate when required under the FLSA.

AUDITEE'S RESPONSE

A. We have implemented this recommendation.

B&C. We will revise and expand our written personnel policy manual by using the generic personnel policy available from the Missouri Association of Counties as a guide. We will also pay overtime when required by the FLSA.

2. Tax Anticipation Note

For the last several years the county has been issuing a tax anticipation note at the request of the Sullivan County Memorial Hospital Board. Issuance of tax anticipation notes is authorized under Sections 50.070 through 50.140, RSMo 1994. During our review of these transactions, we noted the following concerns:

A. The tax anticipation notes issued by the county did not comply with several requirements of Sections 50.070 thru 50.140, RSMo 1994. In addition, some county officials did not

perform certain tasks required by those statutes. The county did not ensure the tax anticipation notes were prepared, signed, sealed, bid, advertised, and registered in accordance with statutory provisions. In the future, the county should comply with all statutory provisions regarding the issuance of tax anticipation notes.

B. The tax anticipation note issued in February 1999 for $185,000 was disbursed to the Sullivan County Memorial Hospital. Section 50.090, RSMo 1994, states the note ". . . when issued shall be in proportion to the total estimated revenue as follows: Not to exceed ten percent in any one month in any year . . ." The total anticipated tax revenue was estimated to be $240,000 for the 1999 tax year. Through February, the maximum allowable issuance was $48,000. As a result, the issuance apparently exceeded the statutory amount by $137,000. See MAR No. 8 for additional findings regarding the hospital.

By not handling the tax anticipation notes in compliance with statutory provisions the county may be exposed to additional liability if the note is not paid by the hospital.

The county should ensure tax anticipation notes are prepared, signed, sealed, bid, advertised, registered, and issued in accordance with statutory provisions.

WE RECOMMEND the County Commission ensure tax anticipation notes are prepared, signed, sealed, bid, advertised, registered, and issued in accordance with statutory provisions.

AUDITEE'S RESPONSE

Any future tax anticipation notes will be issued in accordance with the statutes. Distributions of the tax anticipation funds will also be made in accordance with the statutes and limited to no more than 10% per month.

3. Officials' Salaries

The Sullivan County Salary Commission has the statutory authority to set salaries of the county's elected officials. County officials' salaries are based upon the county's assessed valuation, population, training attendance, or a combination of these factors.

At both the 1995 and 1997 meetings, the Salary Commission authorized salaries of elected officeholders to be raised during the term of office for changes in the county's assessed valuation. A review of the various statutes regarding officials' salaries indicates that increases due to changes in the assessed valuation factor should be based upon the assessed valuation in the year next preceding the computation. Instead, the Salary Commission used the current year's assessed valuation rather than the preceding year's assessed valuation to determine the maximum allowable

salaries. In addition, salary changes due to increases in the assessed valuation appear to be effective on the official's year of incumbency (the beginning of the next term).

The Salary Commission had no documentation to show why it used the current assessed valuation factors or the basis it used to make the increases at a time other than the year of incumbency. No written legal opinion was obtained to support the appropriateness of the timing or the amount of the increases.

To provide written documentation of the amounts approved to be paid to the various officials and the legal basis of the decisions made, records of each meeting should include the basis upon which any decisions were made and a copy of each legal opinion. Such documentation would help to ensure that any questions which may arise later concerning the approved salaries can be readily resolved.

WE RECOMMEND the County Commission consult with the Prosecuting Attorney regarding correcting the erroneous salary payments. In addition, the Salary Commission minutes should include the basis upon which any decisions are made and meeting records should always document the calculations and legal opinions for actions taken.

AUDITEE'S RESPONSE

We will consult with the Prosecuting Attorney and in the future request him to issue a written opinion on the decisions of the salary commission.

4.	**Computer Controls**

Access to the computer programs such as the property tax, payroll, and disbursement system are not adequately restricted. Personnel in the County Ex Officio Collector's, the County Clerk's, and County Assessor's offices use their office ID codes and passwords to access the systems. However the IDs and passwords are not changed periodically to ensure that they remain confidential. Thus the IDs and passwords do not effectively limit access to the various programs and data files to only those individuals who need access to perform job responsibilities. The lack of an effective system of user passwords and IDs may allow unauthorized changes to be made to tax books, payroll records, or disbursement systems. For example, changes could be made to assessed valuation amounts, employee pay rates, or payable amounts.

While these county systems provide listings of record changes and transactions to allow monitoring of changes made, an effective access control system using both user IDs and confidential passwords would provide increased accountability and improved access control.

To establish individual responsibility as well as help preserve the integrity of computer programs and data files, access to computerized records should be limited to those persons who need to use

the information. A system of unique IDs and passwords should be used to properly restrict access. These IDs and passwords should be known only to the employee to which it is assigned and should be changed periodically.

This condition was noted in the prior audit report.

WE RECOMMEND the County Commission consider establishing improved procedures to restrict access to computer files, through the use of unique IDs and passwords, to only those individuals who need to use the information.

AUDITEE'S RESPONSE

We will require the system users to change passwords regularly. In addition, we are in the process of acquiring a new financial software system that will require the system users to change passwords regularly.

5. Consolidated Circuit Court Accounting Controls and Procedures

In April 1997, the offices of the Sullivan County Circuit Clerk and Ex-Officio Recorder of Deeds, the Associate Division, the Probate Division, and the Municipal Division were combined to form the Consolidated Circuit Court of Sullivan County (CCCSC). The court is now composed of the following segments: Circuit Civil, Circuit Criminal, Circuit Child Support, Traffic and Municipal, Probate, and Ex-Officio Recorder. Under the written consolidation agreement, the Circuit Clerk agreed to accept responsibility over all cases, case records, monies, accounting records, papers, and property of the CCCSC and was granted authority over all administrative functions. Starting in May 1998, the Circuit Clerk personally assumed primary responsibility for the handling of child support receipts and payments.

The Circuit Clerk does not appear to have fully complied with his responsibilities under the consolidation agreement and stated that he was not aware that he had any responsibility over the Traffic and Municipal or Probate segments. We noted many significant weaknesses in the internal controls within the various court segments and significant delays in the preparation of deposits, monthly reports, and month end disbursements in several court areas. Some of these problems appeared to be caused at least in part by an uneven allocation of the office workload.

A. A lack of adequate segregation of duties existed in the various individual segments of the consolidated court and resulted in a need for increased supervisory review of the work of each separate deputy clerk. Within each segment, a single deputy clerk was generally responsible for all receipting, deposit preparation, recording all financial transactions, preparation of disbursements checks, monthly reports, and bank reconciliations. The Circuit Clerk did not review work performed in the Traffic, Municipal, or Probate segments and while he indicated some review of the records for the Circuit Civil and

Criminal, and Ex-Officio Recorder segments was performed, he did not document any of those reviews.

Because of the significant volume of transactions and monies handled and the lack of segregation of duties of the various deputy clerks, it is important that the Circuit Clerk perform and document periodic reviews of the accounting records, monthly reports, and bank reconciliations for all segments of the consolidated court.

B. The Circuit Clerk failed to make monthly distributions of interest earned on the child support bank account from May 1998 through December 1998. Section 13 CSR 30-3.010 (5) (f) of the Code of State Regulations requires that when a child support account earns interest, the portion attributable to the state IV-D child support monies is to be remitted monthly to the state. The Circuit Clerk stated that he had not been trained how to allocate and record the interest disbursements on the new MACCS child support automated system. The accumulated interest was distributed in January 1999 after the Circuit Clerk contacted the MACCS help line. The Circuit Clerk should ensure interest is distributed as required.

A similar condition was noted in the prior audit report.

C. Within the Circuit Civil segment, monies were not deposited timely, open item listings were not prepared during the audit period, an old bank account was not closed, long term outstanding checks were not resolved timely, ledgers or other records of accumulated interest were not maintained, accrued case costs were not monitored, and old cases were not followed up on a timely basis. The deputy circuit civil clerk resigned her job in November 1998. Similar problems had been noted in our last two audit reports.

A new deputy clerk was appointed in November 1998 and with the assistance of a part time clerk began a review of the case and accounting records. During that process, $1,268 in the bank account was identified as interest, balances totaling $5,031 related to various cases with no activity were identified and were to be returned to appropriate parties. In addition, accrued case costs totaling over $8,000 were determined to be uncollectible and were waived by order of the Judge and various improvements were being developed.

The Circuit Clerk should continue to ensure the case records, accounting records, and monthly reports including open items listings and receivables listings are prepared and maintained on a timely basis.

D. Within the Circuit Criminal segment, we noted on February 4, 1999, the deputy clerk was holding five checks, totaling over $17,000. These checks had not been receipted nor deposited. Two of the checks had been held for nearly two months and the other three had been held at least two weeks.

The Circuit Clerk should ensure all monies received are immediately recorded on the one-write receipting system and deposited timely and intact.

E. Within the Traffic and Municipal segments, we noted the following concerns:

1) The Circuit Clerk had not closed an old bank account, did not require a summary open items (liability) listing to be prepared and fully reconciled to the accounting records, and did not timely resolve unidentified monies.

Even after a replacement bank account had been opened, the old account continued to remain open over three years later and contained over $1,800 in unidentified monies and monies related to long term outstanding checks that should have been identified and properly paid out. In addition, the newer account contains $1,690 in unidentified monies.

The deputy clerk did not prepare a summary open items listing and did not include interest or the balance of the old bank account discussed above as reconciling items. The deputy clerk stated a significant portion of the unidentified monies relate to activity before the current computer system was activated in 1993, nearly five years ago.

As of March 1999, the Judge prepared orders to distribute the unidentified monies. A complete open items listing should be prepared and fully reconciled to the book and bank balances each month to promptly identify any errors in receipting, disbursing, or recording that require investigation and correction.

The Circuit Clerk should ensure old bank accounts are closed timely, open items listings are properly prepared and reconciled, and any monies remaining unidentified be investigated and distributed timely.

2) The November and December 1997 disbursements to the Department of Revenue (DOR) were not submitted in three separate checks as required and it took the deputy clerk three months to reissue the payments correctly and eight months to fully correct the accounting records. During those eight months, the checks were inappropriately carried on the bank reconciliation as outstanding checks. The Circuit Clerk should ensure disbursements are made as required, bank reconciliations are properly prepared, and errors in the accounting records are corrected promptly.

3) In December 1998, the part time clerk incorrectly disbursed $500 to the Prosecuting Attorney. The error was identified by the Prosecuting Attorney who returned the check to the court for correction. As of March 1, 1999, the deputy clerk had not corrected the accounting records of the court nor had she paid a

corrected amount to the prosecutor. In addition, the clerk was unable to locate the check returned by the prosecutor. As is evidenced by the lost check, delays cause costly additional errors. The Circuit Clerk should ensure errors in disbursements are corrected promptly.

WE RECOMMEND the Circuit Clerk take a much more proactive approach in looking for and resolving problems as they occur since delays in addressing and correcting problems often create additional and costly problems and increase the difficulty with which problems are resolved. In addition, we recommend the Circuit Clerk:

A. Perform periodic documented reviews, and ensure timely and accurate preparation of the case and accounting records, monthly reports of distributions, open items listings, and bank reconciliations for all areas of the court.

B. Disburse the child support, IV-D interest to the state on a timely basis.

C. Ensure the Circuit Civil court case records, accounting records, and monthly reports including open items listings and receivables listings are prepared and maintained on a timely basis.

D. Ensure all Circuit Civil court monies received are immediately recorded and deposited timely and intact.

E.1. Ensure, within the Traffic and Municipal area of the court, old bank accounts are closed timely, open items listings are prepared and fully reconciled, and any unidentified monies are investigated and distributed timely.

2. Ensure distributions paid to the DOR are made as required, bank reconciliations are properly prepared, and errors in the accounting records are corrected promptly.

3. Ensure errors in disbursements are corrected promptly.

AUDITEE'S RESPONSE

A,C,
D&E. These recommendations have been implemented.

B. This recommendation will be implemented.

The Associate Circuit Judge provided the following comments: Although no written response is required from me regarding your audit report on the Circuit Clerk's Consolidated Court for the 1997 and 1998 years, I wanted to take the opportunity to provide my thoughts. First of all, just starting my office on January 1, 1999, I was pleased to have the services of your staff available to

me during my first two months to assist in the transition. Their advice was especially useful considering the fact that the two civil clerks had just recently started in their positions and the criminal clerk handling the circuit level cases only had a few months experience handling those cases.

Due to your auditors' efforts combined with countless hours by the civil clerks, over $8,000 in uncollectible court costs dating back to the mid 1970's was identified and waived. We have now implemented a better system of checks and balances to keep tabs on court costs after the case has been disposed of and are issuing contempt citations and warrants for those willfully refusing to pay costs.

The five checks totaling over $17,000 were reimbursements to the county from the state for costs of housing prisoners. As mentioned earlier, the clerk now handling this task is new to the task and was simply awaiting instructions on how to deposit and disburse the monies. Thanks to the help of your field auditors she now is aware of the proper procedures and has obtained many more thousands of dollars in reimbursements which had not been applied for previously.

I am sure that many of the other problems noted in your audit are simply growing pains being experienced as a result of the consolidation of the associate and circuit clerks offices and the Circuit Clerk is continuing to make improvements in this transition.

6. Sheriff's Accounting Controls and Procedures

During our review of the Sheriff's accounting records and procedures, we noted the following concerns:

A. The duties of receipting, recording, depositing, disbursing, and preparation of monthly reports and bank reconciliations are performed primarily by one deputy. The Sheriff does not perform supervisory reviews of the deputy's work. Given the lack of segregation of duties, the Sheriff should perform and document periodic review of the deputy's work including the accounting records, monthly reports, and bank reconciliations.

B. Deposits are not always made daily or when amounts on hand exceed $100 and receipts are not always deposited intact. For instance, we noted $20 for gun permits had been received on November 4, 1998 but not deposited until November 17, 1998 while a deposit had been made on November 9, 1998. Deposits should be made daily or when receipts on hand exceed $100 to ensure assets are adequately safeguarded and to reduce the potential for loss, theft, or misuse of funds.

C. We noted the entries of unpaid fees in the receivables records do not indicate which agency is to collect the fee for the Sheriff. Most of the fees are due from the Sullivan County Consolidated Circuit Court. However, some fees are also due from other courts

and Sheriffs in the region and from out of state. Without a listing of sources and amounts due from the various parties, the Sheriff has less assurance that all fees will be collected. The Sheriff should maintain a complete receivables listing, periodically review the list, and follow up on past due amounts.

WE RECOMMEND the Sheriff:

A. Perform and document periodic reviews of the deputy's work including the accounting records, monthly reports, and bank reconciliations.

B. Ensure deposits are made daily or when receipts on hand exceed $100. In addition, the Sheriff should ensure receipts are deposited intact.

C. The Sheriff should maintain a complete fees receivables listing, periodically review the list and follow up on past due amounts.

AUDITEE'S RESPONSE

A. I will periodically review accounting records, monthly reports and bank reconciliations.

B. I will ensure deposits are made daily or when receipts exceed $100 and will ensure receipts are deposited intact.

C. I will maintain records of fees receivable, periodically review the list, and follow up on past due amounts.

7. Sullivan County 911 Board

In August 1996 under Section 190.335, RSMo 1994, the voters of Sullivan County passed a one-half cent local sales tax for the purpose of providing central dispatching of fire protection, emergency ambulance service, including emergency telephone services, and other emergency services. The Sullivan County Commission appointed members to the Sullivan County 911 Board, and the county acted as fiscal agent for the 911 Board from January 1997 until December 1998. Total expenditures by the county from the 911 Board Fund during the audit period exceeded $150,000. During our review of the 911 Board, we noted the following concerns:

A. Section 190.335, requires the appointed board to serve only until the successor board is elected at the next general election. However, the 911 Board failed to call for the election of the successor board at the general election in November 1998. The 911 Board stated they were not made aware of the election requirement. Because the election was not held, all significant planning and operational decisions have been made by an appointed rather

than an elected board. The 911 Board should call for the election of the successor board at the next general election.

B. The 911 Board has not entered into written contracts with the county or the fire and ambulance districts and cities which will receive 911 services. In January 1999, the 911 Board and county entered into an oral agreement under which the county would provide employees and administrative services to operate the 911 Dispatch Center. A written agreement is being negotiated. The estimated average annual cost over the next nine years to the 911 Board exceeds $225,000.

Section 432.070, RSMo 1994 requires all contracts shall be in writing and shall be signed by each of the parties or their agents. Written contracts are necessary to define responsibilities and the duties of the contracting parties. Written agreements should clearly specify the services to be rendered and the manner and amount of compensation. Such written agreements lessen the opportunity for misunderstanding between the parties involved.

C. Under Section 190.335 (7), RSMo Cum. Supp. 1998, the 911 Board is to determine each year no later than September 1, the tax rate for the subsequent year and publish the rate in the minutes. The 911 Board failed to formally establish the tax rate or publish the rate in the minutes as required. The 911 Board should comply with the statutory requirements.

WE RECOMMEND the Sullivan County 911 board and Sullivan County Commission:

A. Call for the election of 911 board officials at the next general election.

B. Enter into written contracts with the county, ambulance and fire districts and cities which will receive 911 services.

C. Establish and publish the tax rate in the minutes as required.

AUDITEE'S RESPONSE

The County Commission responded that they will call for the election of the 911 board officials.

The Chairman of the 911 Board responded:

A. We plan to call for the election of the 911 Board at the next general election.

B. We plan to enter into a written contract with all parties including the fire and police departments.

C. We will comply with this recommendation.

8. Hospital Financial Condition and Procedures

The Sullivan County Memorial Hospital is audited annually by an independent certified public accounting (CPA) firm. In its report for the two years ended June 30, 1997, the CPA firm indicated, "factors raise substantial doubt about Sullivan County Memorial Hospital's ability to continue as a going concern." Over recent years the hospital has defaulted on two bond issues and continues to experience significant problems generating revenues adequate to maintain current operations. Because the CPA firm had not yet issued its final report covering the most recent fiscal year ended June 30, 1998, we performed some limited work in review of hospital finances. Our limited review of hospital records and procedures revealed the following significant concerns:

A. The audited deficit fund balance at June 30, 1997 was ($226,000) and the annual net loss was $111,893. A draft audit report prepared by the independent CPA firm and provided to the hospital indicated the preliminary deficit fund balance at June 30, 1998 was ($522,000) and the annual net loss was $296,383. The unaudited and unadjusted financial records indicate an estimated deficit fund balance at December 31, 1998 of ($648,000) and an estimated year to date net loss of $125,000.

According to a hospital official, as of June 30, 1999, the independent auditor has not released the hospital's audit report. With the hospital's financial condition and significant accounts payable it is important to have audited financial statements.

Based upon the preceding information, it is evident the hospital's financial condition is continuing to experience significant decline. The hospital should continue to seek additional revenue sources and continue efforts to significantly reduce operating costs.

B. We noted that hospital management had failed for several months in 1997 and 1998 to submit to the Internal Revenue Service (IRS) the monies withheld from employee paychecks for income tax and Social Security or to make the required employer matching contribution for Social Security. As of December 31, 1998, the unpaid liability was approximately $250,000 excluding any interest or penalties. The hospital has been attempting to negotiate a settlement of this debt with the IRS. It was noted that a payment of $185,000 was made to the IRS in February of 1999. The Board of Trustees should continue efforts to fully resolve this matter, closely monitor monthly financial reports, and ensure such problems do not occur in the future.

WE RECOMMEND the Sullivan County Memorial Hospital Board of Trustees:

A. Continue to seek additional revenue sources and continue to reduce operating costs.

B. Continue efforts to fully resolve the liability to the IRS, closely monitor monthly financial reports, and ensure such problems do not occur in the future.

AUDITEE'S RESPONSE

The Chairman of the Board of Trustees and the hospital Administrator responded:

A. We are working in several ways to enhance our revenue flows, including the following:

During June 1999 we started a fund raising project with a goal of collecting a total of $400,000. This project is seeking donations from local businesses and individuals, and pledges totaling $105,000 have been received as of August 1, 1999.

We will be seeking passage of a ½ cent county sales tax for the benefit of the hospital in the November 1999 election.

We are in preliminary discussions with larger area hospitals to determine their interest regarding possible affiliation.

We have added a pediatric clinic to our operation and are seeking additional physicians and clinics to affiliate with our hospital which would increase revenues from our diagnostic services.

We are developing preliminary plans for leasing space within our facility for a federally qualified health care clinic which would potentially lower the number of uninsured patients seen in our emergency department.

To further reduce operating costs for drugs and medical supplies, we have joined a larger buying group.

B. The board is reviewing financial reports monthly and is specifically reviewing the balances in the payroll withholding accounts.

This report is intended for the information of the management of Sullivan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

SULLIVAN COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Sullivan County, Missouri, on findings in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1996. Finding number 4 is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Questionable Payments to an Employee

   A. A county employee was paid $600 per month for rental of equipment owned by the employee, held in the employee's personal possession, and not directly available to the county. The rental arrangement did not appear to serve any legitimate county purpose or provide anything of value to the county. The rental payments were reported on an IRS 1099-MISC form instead of being included on the employee's W-2 as part of his earnings. In addition, the county did not solicit bids for the equipment rental and had no written contract with the employee. In January 1997, the county discontinued the rental payments and increased the employee's salary an equivalent amount.

   B. The employee submitted an inappropriate claim for mileage reimbursement. The county did not review the claim for reasonableness.

   C. The employee received additional compensation for performing additional duties but the rate of pay was not established prior to the work being performed.

   This employee was paid approximately $23,600 and $21,078 from the county during 1996 and 1995, respectively. However, time records showed this employee worked only approximately 86 hours per month.

   Recommendation:

   The County Commission:

   A. Review this situation with the Prosecuting Attorney to see if any restitution should be received from the employee. If no restitution is considered necessary, the county should issue corrected W-2 earnings forms, complying with all related FICA withholding and employer matching requirements. In the future, contracts should be entered only if they are within the scope of authority of the county and provide reasonable value to the county. Every contract should be made in writing and should be signed or executed by the authorized parties. In addition, the county should comply with all bid requirements, particularly in situations that present a conflict of interest. A written job description should be provided for such position and specific work responsibilities should be determined. The compensation established for this position should be reviewed and set at an appropriate amount that reflects the actual value to the county for services actually provided.

B. Ensure that all mileage claims are adequately documented and proper and reasonable prior to approving payment. In addition, the commission should implement additional controls to prevent employee abuse of mileage reimbursements.

C. Review and determine a proper basis for granting additional compensation to the employee, and if necessary, recover any overpayment.

Status:

A, B, & C. Partially implemented. The employee resigned December 30, 1997, shortly after the release of our audit report. No further action was taken by the county. Although not repeated in the current report, our recommendations remain as stated above.

2. Open Meetings Compliance and County Bridge Program Priorities

The minutes of the County Commission meetings did not always provide sufficient details of the reasons for action taken and adequate advance notice of meetings and pending issues was not made to the public.

Recommendation:

The County Commission ensure that all significant discussion and actions taken, such as prioritizing county bridge replacement, are discussed and adequately documented in compliance with statutory open meetings requirements. The commission should also ensure agendas of the commission are published or posted in accordance with state law.

Status:

Implemented.

3. County Expenditures and Budgets

A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases and services.

B. The county did not always issue Forms 1099-MISC as required.

C. Formal budgets were not prepared for various county funds for the years ended December 31, 1996 and 1995.

D. Contributions were made to various public service organizations without written contracts specifying the services to be provided or documenting the benefits to the county.

Recommendation:

The County Commission:

A. Solicit bids for all items in accordance with Section 50.660, RSMo Cum. Supp. 1996. Documentation of bids solicited and justification for bid awards should be retained by the

County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

B. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

C. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.

D. Refrain from making contributions of public funds unless it is done pursuant to a written contract which specifically states what services are to be provided to the county.

Status:

A. Implemented.

B. Partially implemented. One instance was noted when the county failed to issue a 1099-MISC. Although not repeated in the current report, our recommendation remains as stated above.

C. Partially implemented. Budgets were prepared for all funds directly controlled by the County Commission. Although not repeated in the current report, our recommendation remains as stated above.

D. Partially implemented. The county has set up contracts covering most organizations but continued to provide funding to the local rural fire department without a written contract. Although not repeated in the current report, our recommendation remains as stated above.

5. Personnel Policies and Procedures

A. The County Clerk did not maintain detailed records of vacation or sick leave earned, taken, or accumulated. In addition, the salaried employees in the Sheriff's Department were not required to submit time sheets.

B. The county's overtime policy lacked adequate detail. Payments of overtime and granting of compensatory time were not consistent to all employees. The county's leave policy did not address compensation for accumulated leave upon termination. The county's personnel policy did not address additional compensation for employees declining county paid health insurance.

C. The county did not require documentation of the hours worked by the Deputy County Clerk during her preparation of the county's published financial statements.

Recommendation:

The County Commission:

A. Require all county employees to complete time sheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records. In addition, a running balance of leave accumulated and taken for each employee should be maintained by the County Clerk.

B. Revise and expand the county's written personnel policies regarding overtime, leave, and insurance policies to address all relevant issues and ensure that all policies and procedures are applied equitably and in compliance with the FLSA.

C. Require the Deputy County Clerk to include hours worked on the financial statements on her monthly time sheet and compute any overtime compensation based on the total hours worked, in compliance with the FLSA.

Status:

A&B. Not implemented. See MAR No. 1.

C. Implemented.

6. Associate Court Accounting Controls and Procedures

A.1. For the Associate Division, receipts were not deposited on a timely basis and checks were not always restrictively endorsed immediately upon receipt. For the Probate Division, deposits were typically made once or twice per month.

2. For the Associate Division, there were instances noted in which fine monies were not recorded immediately upon receipt.

B. Open items listings (liabilities) were not prepared during the audit period.

C. Accounting duties were not adequately segregated for the Associate or Probate Divisions.

Recommendation:

The Associate Circuit Judge:

A.1. Require receipts be deposited daily or when accumulated receipts exceed $100. In addition, all checks should be restrictively endorsed immediately upon receipt.

2. Ensure that all monies are promptly receipted and recorded.

B. Require the preparation of a periodic listing of total liabilities and ensure that it is reconciled to the cash balance. In addition, the Associate Circuit Judge should investigate the unidentified monies. Any monies remaining unidentified should be handled in accordance with statutory provisions.

C. Ensure duties are adequately segregated or perform and document periodic reviews of the accounting records maintained and reconciliations prepared.

Status:

A, B, & C. Not implemented. See MAR No. 5.

7. Circuit Clerk's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. The Circuit Clerk had not prepared bank reconciliations for various accounts.

C. An open items (liabilities) listing had not been prepared for the General and Interest account since December 1995. At our request, the Circuit Clerk had prepared an open items list that included approximately fifty cases over five years old for which the full balance due had not been collected. The Circuit Clerk had not reviewed or determined the proper disposition of the older inactive cases. In addition, the reconciled bank balance for the Child Support account differed with the related open items balance throughout the audit period.

D. The Circuit Clerk had discontinued use of but did not properly close out an old checking account.

E. The Circuit Clerk had not disbursed interest earned on the portion attributable to state IV-D child support monies since May 1993.

F. Procedures for collecting amounts due on criminal cases were not adequate.

Recommendation:

The Circuit Clerk:

A. Ensure duties are adequately segregated or perform and document periodic reviews of the accounting records maintained and reconciliations prepared.

B. Ensure complete and accurate bank reconciliations are prepared monthly and reconciled to accounting records for all bank accounts.

C. Prepare a complete listing of open items for each account on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated and resolved. In addition, along with the Circuit Judge, review the older cases and determine the appropriate disposition of inactive cases.

D. Identify the monies in the old checking account and disburse them accordingly so the account may be closed. In addition, old outstanding checks should be reissued for payees who can easily be located. If the payees cannot be located or ownership cannot be determined, amounts should be paid out in accordance with applicable state laws governing unclaimed fees and unclaimed property.

E. Disburse the IV-D interest to the state on a timely basis.

F. Establish procedures for the collection of court costs from defendants on probation. Procedures should include generating periodic reports of cases with balances due and sending billing statements as necessary. A report of cases with delinquent payments and/or significant balances due should be submitted to the Circuit Judge for his review.

Status:

A, B, C&D. Not implemented. See MAR No. 5.

E. Partially implemented. The Circuit Clerk distributed the IV-D interest balance to the state and made regular interest distributions from December 1997 through May 1998. See MAR No. 5.

F. Partially implemented. The Circuit Clerk has started maintaining a listing of cases with amounts due when the defendant has been placed on probation. Although not repeated in the current report, our recommendation remains as stated above.

8. Ex Officio County Collector's and Township Collector's Commissions

A. Distributions of the Ex Officio County Collector's commissions and the 1% withholdings for the Assessment Fund were not correct.

B. Commissions for one township collector were incorrectly computed causing distributions to be incorrect.

Recommendation:

A. The EOC review commissions and distributions to ensure the proper amounts were retained and distributed. In addition, current distributions should be reduced to correct for the amounts owed to the General Revenue and Assessment Funds.

B. The County Clerk ensure township collector's commissions are calculated properly. In addition, the county should obtain reimbursement of the $4,305 commission overpayment from the township collector and distribute this amount to the appropriate county funds and political subdivisions.

Status:

A&B. Implemented.

9. Sheriff's Accounting Controls and Procedures

A. A complete cash control was not maintained. The Sheriff's cash receipts journal accounting record used was not adequate to properly account for all monies handled.

B. Not all monies received were deposited intact or on a timely basis.

C. Prenumbered bond forms were not used.

D.1. Seized property records were not maintained, physical inventories were not conducted, and some seized property items were not tagged.

2. The seized property room contained several old guns that had been held for up to fifteen years. The Sheriff had not taken steps to dispose of the older seized property.

E. The prisoner log records did not identify if the prisoner was held in the Sullivan County jail or some other location, did not indicate the time of the day the prisoner was released, and did not include the number of meals provided daily. Invoices received for providing the meals to the prisoners were not compared to daily prisoner population records for reasonableness. Bids for the provision of prisoner meals were not solicited for 1995 or 1996.

Recommendation:

The Sheriff:

A. Maintain a complete cash control showing all monies received, disbursements, and cash balances. In addition, ensure that receipts are entered in the cash control in the order they are received.

B. Deposit monies received intact daily or upon the accumulation of $100.

C. Issue prenumbered bond forms and account for the numerical sequence.

D.1. Maintain an inventory record of all seized property received including information such as a description, persons involved, current location, case number, and disposition of such property. Additionally, all items should be tagged with a description, case name, and an inventory control number.

2. Make timely and appropriate dispositions of seized property.

E. Ensure the prisoner log records are accurate and consistently maintained by all personnel and compare prisoner meal records with the vendor's invoice and investigate and reconcile any differences. In addition, the Sheriff and County Commission may want to consider whether the county might have other, less costly alternatives for providing prisoner meals.

Status:

A&B. Not implemented. See MAR No. 6.

C. Implemented.

D.1 Implemented. The Sheriff completed updating the seized property records based upon a physical inventory in March 1999.

D.2. Not implemented. The Sheriff stated he had consulted with the Prosecuting Attorney to determine how to dispose of the seized property but no decision was reached. He stated

he would again consult with the Prosecuting Attorney. Although not repeated in the current report, our recommendation remains as stated above.

E. Implemented. There was a noted improvement in the prisoner log records and prisoner meals are closely monitored by the person assigned. The Sheriff has been unable to locate a more economical means of providing meals at this time but has continued to seek bids for the service.

10. Prosecuting Attorney's Accounting Controls and Procedures

A system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks had not been established.

Recommendation:

The Prosecuting Attorney implement procedures to adequately account for all bad check complaints received, as well as the ultimate disposition of each complaint through the use of sequential numbers assigned to each complaint form and a log to account for the numerical sequence and disposition of each complaint.

Status:

Implemented. The Prosecuting Attorney purchased and implemented the use of a computerized software tracking system for all bad check complaints received after July 1998.

11. Public Administrator's Salary

The County paid the Public Administrator's 1997 salary of $7,000, of which $2,000 was contingent on completion of training, at a rate of $1,000 per month for the first seven months of the year.

Recommendation:

The County Commission and the County Clerk make the salary payments to the Public Administrator only after the compensation has actually been earned.

Status:

Implemented.

12. Health Center

A. The Health Center's cash balance was approximately $368,000 and $306,000 at December 31, 1996, and 1995, respectively. The Health Center did not have any specific short term plan that required the maintenance of such large cash balances.

B. The Health Center contributed monies to public service agencies without written contracts specifying services to be provided or documenting the benefits to the Health Center.

C. Bid documentation was not always retained and reflected in the board meeting minutes. Reasons for cost differences between the original bid amount and the final cost were not

always documented. No reasons were documented for having selected the high bidders for some projects.

D. Monies received were not always deposited on a timely basis. Receipts and disbursements were not posted to the accounting records in a timely manner.

E. The Health Center did not require adequate collateral securities to be pledged by the depositary banks.

F. General Fixed asset records had not been updated for purchases or dispositions of property items since March 1995. Not all general fixed asset items had been properly tagged, assigned an inventory control number, or otherwise identified as health center property. Annual physical inventories of all personal property owned by the health center had not been performed.

G. The health center's compensatory time policy required compensatory time to be awarded to covered employees at one and one-half times the normal pay rate for any time worked before 8:30 A.M. or after 4:30 P.M. regardless of the number of hours worked during that week.

Recommendation:

The Health Center board:

A. Review the Health Center's cash balance and consider reducing the tax levy accordingly, or document the intended use of the funds in the annual budget documents.

B. Refrain from making contributions of public funds unless it is done pursuant to written contracts which specifically state what services are to be provided to the health center.

C. Ensure documentation of bids solicited and a justification for bid awards are retained, including changes in the award amounts.

D.1. Deposit all monies daily or when accumulated receipts exceed $100.

2. Post all receipts and disbursements to the accounting records on a timely basis.

E. Ensure the Health Center's depositary institutions pledge collateral securities for all amounts which exceed FDIC coverage.

F.1. Update fixed asset records, and record subsequent fixed asset additions or deletions in a timely manner.

2. All items should be tagged as Health Center property and issued an inventory control number.

3. Perform annual physical inventories of Health Center property in accordance with Section 51.155, RSMo Cum. Supp. 1996. Records should be maintained to document this review.

G. Review the current compensatory time policy and consider whether it should be revised to help control payroll costs.

Status:

A. Implemented. The Health Center board discussed this matter, but did not reduce the tax levy. The 1998 and 1999 budget documents indicated the board expected substantial reductions in the available cash balance at each year end.

B, C, D, E, F.1, & F.2. Implemented.

F.3. Partially implemented. Employees indicated an annual physical inventory was performed however documentation was not retained. Although not repeated in the current report, our recommendation remains as stated above.

G. Partially implemented. The board minutes indicated this issue was discussed but the policy was not changed. The administrator stated in March 1999 that this policy was again under review. Although not repeated in the current report, our recommendation remains as stated above.

13 General Fixed Asset Records and Procedures

A. An annual inventory of all general fixed assets and quarterly inspections of all lands and buildings had not been conducted as required by Section 51.155, RSMo Cum. Supp. 1996.

B. The County Clerk did not maintain property records in a manner that balances could be reconciled from period to period. That is, records were not such that the beginning balance, plus additions, less dispositions, equals the ending balance.

C.1. Procedures had not been established to ensure that IRS regulations regarding the use of county vehicles by county employees to commute to and from work were followed.

2. Adequate fuel usage records for county owned vehicles were not maintained by the Road and Bridge department.

Recommendation:

A. The County Clerk perform and document inventories and inspections of county-owned property as required by state law.

B. The County Clerk ensure reconciliations are performed between prior year general fixed asset records and current year general fixed asset records which document total additions, deletions, and balances.

C.1. The County Commission require detail logs of vehicle usage and comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles.

2. The County Commission ensure fuel usage logs are maintained for all county vehicles and equipment and ensure fuel used is reconciled to fuel purchases and fuel efficiency. In addition, the county should maintain vehicle and equipment maintenance logs and review these records periodically for reasonableness.

Status:

A. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

B. Partially implemented. The general fixed asset records, based upon inventories performed by other county officials and the Road and Bridge supervisor, were updated in March 1999. The County Clerk stated the recommended reconciliation is now possible and will be performed in the future. Although not repeated in the current report, our recommendation remains as stated above.

C. Partially implemented. Vehicle usage, fuel, and maintenance logs are maintained for county vehicles. Road and bridge employees are no longer allowed to use vehicles for personal commuting. Although not repeated in the current report, our recommendation remains as stated above.

14. Computer Controls

A. Access to the computer programs such as the property tax, payroll, and disbursement systems was not adequately restricted. User ID's and passwords were not changed periodically to ensure that they remained confidential.

B. Backup disks of information for the county's computer systems, which were kept to provide a means of recreating destroyed master disks, were not stored at an off-site location.

Recommendation:

The County Commission:

A. Consider establishing improved procedures to restrict access to computer files, through the use of unique ID's and passwords, to only those individuals who need to use the information.

B. Ensure that backup disks from the county's computer systems are prepared and stored in a secure, off-site location.

Status:

A. Not implemented. See MAR No. 4.

B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SULLIVAN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Sullivan was named after John J. Sullivan, a General in the Revolutionary War. Sullivan County is a township-organized, third-class county and is part of the 9th Judicial Circuit. The county seat is Milan.

Sullivan County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Sullivan County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 182,105	10	152,742	7
Sales taxes	369,453	19	393,436	18
Federal and state aid	1,011,417	53	1,337,934	62
Fees, interest, and other	346,253	18	278,670	13
Total	$ 1,909,228	100	2,162,782	100

The following chart shows how Sullivan County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 536,404	26	373,431	19
Public safety	321,118	16	303,528	16
Highways and roads	1,173,930	58	1,247,933	65
Total	$ 2,031,452	100	1,924,892	100

The county maintains approximately 180 county bridges and 509 miles of county roads.
::

The county's population was 8,783 in 1970 and 6,326 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 33.5	33.0	21.4	15.1	12.0
Personal property	18.2	19.0	7.6	6.8	4.8
Railroad and utilities	8.6	14.3	3.2	2.6	3.0
Total	$ 60.3	66.3	32.2	24.5	19.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Sullivan County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .28	.28
Health Center Fund	.10	.10
Hospital Fund	.43	.42

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 18,413	20,195
General Revenue Fund	170,057	186,219
Special Road and Bridge Fund	30,243	33,155
Assessment Fund	38,598	44,903
Health Center Fund^	61,533	69,274
Special Road Districts^	44,368	43,874
School districts^	2,174,184	2,449,662
Library district^	61,533	67,274
Ambulance district^	181,063	197,248
Fire protection district^	37,161	51,912
Townships^	401,391	454,898
Hospital^	261,690	279,469
Drainage District^	43,842	41,625
Cities	20,327	18,993
County Clerk	113	127
County Employees' Retirement	13,982	13,669
Commissions and fees:		
General Revenue Fund	27,302	46,712
Township Collectors^		
Total	$ 3,585,800	4,019,209

^ The specific distribution amounts by the township collectors were not readily available. The amounts shown are based upon township collectors' collections and include the township collectors' commissions.

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	95.1 %	95.3 %
Personal property	93.3	94.0
Railroad and utilities	100.0	100.0

Sullivan County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50
General		.0050	None	None
911 Emergency Service		.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Gerald Heaton, Presiding Commissioner	$		13,850	13,850
James Howard, Associate Commissioner			13,850	13,850
Lowell Tucker, Associate Commissioner			13,850	13,850
Mike Hepler, County Clerk			24,922	24,922
James Spencer, Prosecuting Attorney			28,603	28,603
William Hayes, Sheriff			27,125	27,125
Gary Hostetter, County Assessor *, year ended August 31,			34,900	25,050
Deborah Schnelle, Treasurer and Ex Officio County Collector, year ended March 31,		23,680	23,680	
Dale Essmeyer, County Coroner			3,490	3,490
Rhonda Frazier, Public Administrator **			11,849	16,878
James Wallick, County Surveyor ***			N/A	N/A

* Includes $900 annual compensation received from the state.
** Includes fees received from probate cases.
*** Compensation on a fee basis.

State-Paid Officials:				
John Moorehead , Circuit Clerk and Ex Officio Recorder of Deeds			42,183	40,176
Glen Simmons, Associate Circuit Judge			85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Number of Employees Paid by

Office	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds (1)	1	5
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff (2)	8	0
Treasurer and Ex Officio County Collector	1	0
County Assessor	2	0
Road and Bridge	4	0
Health Center (3)	11	0
Multi-County Child Support Enforcement (4)	2	0
Total	32	5

(1) Includes 2 part-time employees.
(2) Includes 3 part-time employees.
(3) Includes 3 part-time employees.
(4) The state reimburses the county for 100% of payroll costs.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Sullivan County's share of the 9th Judicial Circuit's expenses is 21.5 percent.

AUDIT REPORT

SCOTLAND COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-70
September 1, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Scotland, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Scotland County was a financial and compliance audit of various county operating funds. The audit includes some matters upon which the county should consider and take appropriate corrective action.

<u>Copies of the are available upon request</u>.

YELLOW SHEET

SCOTLAND COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Scotland County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Scotland County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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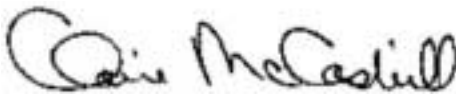
Scotland County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 29, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Scotland County, Missouri

We have audited the special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Scotland County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Scotland County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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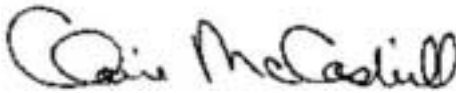
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	194,155	642,133	609,494	226,794
Special Road and Bridge		341,750	951,208	1,037,705	255,253
Assessment		1,943	58,539	57,817	2,665
Law Enforcement Training		1,308	1,394	953	1,749
Prosecuting Attorney Training		1,199	210	271	1,138
Recorder's User Fees		1,693	2,116	1,809	2,000
Local Emergency Planning Commission-Community Development Block Grant-Federal Emergency Management Agency		0	73,232	69,933	3,299
Off System		44,189	374,575	378,118	40,646
K-9		83	0	83	0
Children's Trust		135	240	275	100
Joint Dispatcher		0	15,000	11,928	3,072
Health Center		146,062	309,853	321,571	134,344
Circuit Clerk Interest		1,694	657	305	2,046
Associate Division Interest		806	158	0	964
Law Library		5,116	1,354	754	5,716
Cemetery Trusts		11,620	11,754	20,767	2,607
D.A.R.E.		304	1,130	400	1,034
Cash Crop		4	0	0	4
Total	$	752,061	2,443,553	2,512,183	683,431

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	161,764	591,979	559,588	194,155
Special Road and Bridge		281,919	925,464	865,633	341,750
Assessment		4,754	57,977	60,788	1,943
Law Enforcement Training		159	1,172	23	1,308
Prosecuting Attorney Training		1,062	297	160	1,199
Recorder's User Fees		1,629	1,878	1,814	1,693
Local Emergency Planning Commission- Community Development Block Grant- Federal Emergency Management Agency		0	1,600	1,600	0
Off System		44,775	13,841	14,427	44,189
K-9		83	0	0	83
Children's Trust		105	255	225	135
Joint Dispatcher		3,927	15,120	19,047	0
Health Center		139,048	326,613	319,599	146,062
Circuit Clerk Interest		1,211	483	0	1,694
Associate Division Interest		569	237	0	806
Law Library		7,093	1,158	3,135	5,116
Cemetery Trusts		10,570	12,415	11,365	11,620
D.A.R.E.		0	304	0	304
Cash Crop		0	4	0	4
Total	$	658,668	1,950,797	1,857,404	752,061

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 189,293	202,602	13,309	198,659	195,243	-3,416
Sales taxes	220,000	205,876	-14,124	206,000	214,894	8,894
Intergovernmental	111,300	121,920	10,620	45,095	75,162	30,067
Charges for services	70,650	74,855	4,205	64,900	72,817	7,917
Interest	18,000	21,083	3,083	15,000	18,384	3,384
Other	8,857	15,762	6,905	19,305	15,479	-3,826
Transfers in	0	35	35	0	0	0
Total Receipts	618,100	642,133	#VALUE!	548,959	591,979	#VALUE!
DISBURSEMENTS						
County Commission	36,126	35,966	160	35,363	34,925	438
County Clerk	45,581	43,884	1,697	39,564	39,884	-320
Elections	15,000	9,776	5,224	1,000	194	806
Buildings and grounds	77,854	65,097	12,757	71,400	62,855	8,545
Employee fringe benefits	34,000	32,180	1,820	31,000	31,750	-750
County Treasurer	14,266	14,246	20	14,410	13,817	593
County Collector	43,642	44,251	-609	41,845	40,961	884
Ex Officio Recorder of Deeds	12,258	5,347	6,911	14,062	11,471	2,591
Associate Circuit Court	6,500	3,170	3,330	4,000	5,942	-1,942
Court administration	3,916	3,712	204	4,517	3,787	730
Public Administrator	8,420	5,626	2,794	4,650	7,993	-3,343
Sheriff	206,802	206,062	740	195,751	178,162	17,589
Prosecuting Attorney	47,482	47,982	-500	45,726	46,434	-708
Juvenile Officer	41,040	50,540	-9,500	30,844	37,157	-6,313
County Coroner	5,972	3,242	2,730	5,530	2,055	3,475
Public Health and Welfare Services	3,390	949	2,441	491	444	47
Other	42,150	37,464	4,686	37,405	41,637	-4,232
Transfers out	0	0	0	6,823	120	6,703
Emergency Fund	10,000	0	10,000	8,000	0	8,000
Total Disbursements	654,399	609,494	44,905	592,381	559,588	32,793
RECEIPTS OVER (UNDER) DISBURSEMENTS	-36,299	32,639	#VALUE!	-43,422	32,391	#VALUE!
CASH, JANUARY 1	194,155	194,155	0	161,764	161,764	0
CASH, DECEMBER 31	$ 157,856	226,794	#VALUE!	118,342	194,155	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exbihit C

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 251,407	268,942	17,535	253,377	258,110	4,733
Sales taxes	146,000	137,246	-8,754	135,000	143,267	8,267
Intergovernmental	459,000	452,697	-6,303	393,000	433,081	40,081
Interest	25,000	26,123	1,123	20,000	27,169	7,169
Other	51,000	66,200	15,200	33,000	62,237	29,237
Transfers in	0	0	0	0	1,600	1,600
Total Receipts	932,407	951,208	18,801	834,377	925,464	91,087
DISBURSEMENTS						
Salaries	220,000	228,986	-8,986	210,000	212,057	-2,057
Employee fringe benefits	43,000	39,591	3,409	36,100	41,653	-5,553
Supplies	85,000	67,196	17,804	85,000	69,817	15,183
Insurance	17,000	16,770	230	21,000	15,876	5,124
Road and bridge materials	315,000	428,442	-113,442	215,000	346,559	-131,559
Equipment repairs	70,000	61,797	8,203	60,000	72,328	-12,328
Rentals	10,000	3,038	6,962	7,000	11,045	-4,045
Equipment purchases	140,000	134,992	5,008	55,000	43,926	11,074
Construction, repair, and maintenance	165,000	56,560	108,440	215,000	52,184	162,816
Other	1,000	333	667	1,500	188	1,312
Transfers out	0	0	0	10,000	0	10,000
Total Disbursements	1,066,000	1,037,705	28,295	915,600	865,633	49,967
RECEIPTS OVER (UNDER) DISBURSEMENTS	-133,593	-86,497	47,096	-81,223	59,831	141,054
CASH, JANUARY 1	341,750	341,750	0	281,919	281,919	0
CASH, DECEMBER 31	$ 208,157	255,253	47,096	200,696	341,750	141,054

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 58,880	56,906	-1,974	58,357	56,490	-1,867
Interest	700	872	172	600	726	126
Other	550	761	211	150	761	611
Transfers in	800	0	-800	6,823	0	-6,823
Total Receipts	60,930	58,539	-2,391	65,930	57,977	-7,953
DISBURSEMENTS						
Assessor	62,792	57,817	4,975	65,877	60,788	5,089
Total Disbursements	62,792	57,817	4,975	65,877	60,788	5,089
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,862	722	2,584	53	-2,811	-2,864
CASH, JANUARY 1	1,943	1,943	0	4,754	4,754	0
CASH, DECEMBER 31	$ 81	2,665	2,584	4,807	1,943	-2,864

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,200	1,394	194	2,800	1,172	-1,628
Total Receipts	1,200	1,394	194	2,800	1,172	-1,628
DISBURSEMENTS						
Sheriff	2,508	953	1,555	2,959	23	2,936
Total Disbursements	2,508	953	1,555	2,959	23	2,936
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,308	441	1,749	-159	1,149	1,308
CASH, JANUARY 1	1,308	1,308	0	159	159	0
CASH, DECEMBER 31	$ 0	1,749	1,749	0	1,308	1,308

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 300	210	-90	480	297	-183
Total Receipts	300	210	-90	480	297	-183
DISBURSEMENTS						
Prosecuting Attorney	1,499	271	1,228	1,542	160	1,382
Total Disbursements	1,499	271	1,228	1,542	160	1,382
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,199	-61	1,138	-1,062	137	1,199
CASH, JANUARY 1	1,199	1,199	0	1,062	1,062	0
CASH, DECEMBER 31	$ 0	1,138	1,138	0	1,199	1,199

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,900	2,116	216	2,100	1,878	-222
Total Receipts	1,900	2,116	216	2,100	1,878	-222
DISBURSEMENTS						
Recorder of Deeds	3,594	1,809	1,785	3,729	1,814	1,915
Total Disbursements	3,594	1,809	1,785	3,729	1,814	1,915
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,694	307	2,001	-1,629	64	1,693
CASH, JANUARY 1	1,694	1,693	-1	1,629	1,629	0
CASH, DECEMBER 31	$ 0	2,000	2,000	0	1,693	1,693

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION-COMMUNITY DEVELOPMENT BLOCK GRANT-FEDERAL EMERGENCY MANAGEMENT
AGENCY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovenmental	$ 220,967	73,232	-147,735	3,000	1,600	-1,400
Total Receipts	220,967	73,232	-147,735	3,000	1,600	-1,400
DISBURSEMENTS						
Other	220,967	69,933	151,034	3,000	0	3,000
Transfer Out	0	0	0	0	1,600	-1,600
Total Disbursements	220,967	69,933	151,034	3,000	1,600	1,400
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,299	3,299	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	3,299	3,299	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
OFF SYSTEM FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovenmental	$ 425,234	371,996	-53,238	551,979	11,359	-540,620
Interest	2,000	2,579	579	0	2,482	2,482
Transfers in	0	0	0	10,000	0	-10,000
Total Receipts	427,234	374,575	-52,659	561,979	13,841	-548,138
DISBURSEMENTS						
Construction & Engineering fee	425,234	378,118	47,116	601,224	14,427	586,797
Other	0	0	0	0	0	0
Total Disbursements	425,234	378,118	47,116	601,224	14,427	586,797
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	-3,543	-5,543	-39,245	-586	38,659
CASH, JANUARY 1	44,189	44,189	0	44,775	44,775	0
CASH, DECEMBER 31	$ 46,189	40,646	-5,543	5,530	44,189	38,659

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
K-9 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 0	0	0	100	0	-100
Total Receipts	0	0	0	100	0	-100
DISBURSEMENTS						
Supplies	83	48	35	183	0	183
Transfer out	0	35	-35	0	0	0
Total Disbursements	83	83	0	183	0	183
RECEIPTS OVER (UNDER) DISBURSEMENTS	-83	-83	0	-83	0	83
CASH, JANUARY 1	83	83	0	83	83	0
CASH, DECEMBER 31	$ 0	0	0	0	83	83

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 200	240	40	250	255	5
Total Receipts	200	240	40	250	255	5
DISBURSEMENTS						
Other	335	275	60	355	225	130
Total Disbursements	335	275	60	355	225	130
RECEIPTS OVER (UNDER) DISBURSEMENTS	-135	-35	100	-105	30	135
CASH, JANUARY 1	135	135	0	105	105	0
CASH, DECEMBER 31	$ 0	100	100	0	135	135

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JOINT DISPATCHER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 15,000	15,000	0	15,000	15,000	0
Transfers in	0	0	0	0	120	120
Total Receipts	15,000	15,000	0	15,000	15,120	120
DISBURSEMENTS						
Other	15,000	11,928	3,072	18,927	19,047	-120
Total Disbursements	15,000	11,928	3,072	18,927	19,047	-120
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,072	3,072	-3,927	-3,927	0
CASH, JANUARY 1	0	0	0	3,927	3,927	0
CASH, DECEMBER 31	$ 0	3,072	3,072	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

SCOTLAND COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 61,000	63,980	2,980	55,000	58,769	3,769
Intergovernmental	244,681	213,252	-31,429	238,249	238,998	749
Charges for services	5,500	4,492	-1,008	5,500	3,744	-1,756
Interest	11,000	10,038	-962	10,000	10,103	103
Other	20,090	18,091	-1,999	14,140	14,999	859
Total Receipts	342,271	309,853	-32,418	322,889	326,613	3,724
DISBURSEMENTS						
Salaries	230,933	211,044	19,889	222,675	214,897	7,778
Office expenditures	21,850	21,194	656	22,563	19,318	3,245
Equipment	8,800	4,831	3,969	2,250	2,350	-100
Mileage and training	16,000	15,040	960	17,000	14,786	2,214
Other	64,505	69,462	-4,957	57,020	68,248	-11,228
Total Disbursements	342,088	321,571	20,517	321,508	319,599	1,909
RECEIPTS OVER (UNDER) DISBURSEMENTS	183	-11,718	-11,901	1,381	7,014	5,633
CASH, JANUARY 1	0	146,062	146,062	137,169	139,048	1,879
CASH, DECEMBER 31	$ 183	134,344	134,161	138,550	146,062	7,512

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Scotland County Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Circuit Clerk Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Cemetery Trust Fund	1998 and 1997
D.A.R.E. Fund	1998 and 1997
Cash Crop Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the Assessment Fund and Joint Dispatcher Fund in 1997. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Local Emergency Planning Commission - Community Development Block Grant - Federal Emergency Management Agency Fund	1998 and 1997
K-9 Fund	1998 and 1997
Health Center Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
D.A.R.E. Fund	1998 and 1997
Cash Crop Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

Deposits

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.
The Health Center Board of Trustee's deposits at December 31, 1998 and 1997 were entirely covered by federal depository insurance or by collateral securities held by the health center's custodial bank in the health center's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end for the county and the health center.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $74,174 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $39,223. As of December 31, 1998, $14,672 remains to be paid.

Supplementary Schedule

Schedule

SCOTLAND COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health - Special Supplemental Nutrition Program for			
10.557	Women, Infants, and Children	ER0045-9200	11,745	12,821
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development - Community Development Block Grants/State's			
14.228	Program	97-PF-25	63,933	1,600
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
	Public Safety Partnership and			
16.710	Community Policing ("Cops") Grants	96-NCD4-0078	12,462	17,343
	Passed through:			
	State Department of Public Safety -			
16.579	Byrne Formula Grant Program	96-NCD1-0022	0	6,964
16.unknown	Cannabis Eradication/Suppression Program	N/A	995	4,449
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission - Off-System Bridge Replacement and Rehabilitation			
20.205	Program	BRO-099(11)	378,118	14,427
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	958	497
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health - Childhood Lead Poisoning			
93.197	Prevention	ERO146-9200CLPP	126	0
93.268	Department of Health - Immunization Grants	PG0064-9200IAP	4,345	1,870
	Department of Social Services - Child Support			
93.563	Enforcement	ERO103	38	0
	Department of Health -			
93.575	Child Care and Development Block Grant			
	Cooperative Agreements for State-Based			
	Child Care Health and Safety Consultation	ERO146-9200	250	0
	Local Sanitation Inspections for Child Care Facilities	PG0067-8200	400	170
	Maternal and Child Health Services			
93.994	Block Grant to the States	ERO146-9200MCH	12,139	12,251
	Total Expenditures of Federal Awards		$ 485,509	72,392

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

SCOTLAND COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Scotland County, Missouri, except for the programs accounted for in the Public Housing Agency Fund. Federal awards for that fund are being audited and separately reported on by other independent auditors for its years ended December 31, 1998 and 1997.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Scotland County, Missouri

Compliance

We have audited the compliance of Scotland County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Scotland County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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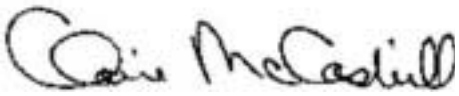
Internal Control Over Compliance

The management of Scotland County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date)

Schedule

SCOTLAND COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	__x__ no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major program:		
Material weakness identified?	_____ yes	__x__ no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	__x__ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SCOTLAND COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

2. Former Sheriff's Missing Records and Property

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Missouri Sheriff's Association
Federal CFDA Number:	16.unknown
Program Title:	Domestic Cannabis Eradication/Suppression Program
Pass-Through Entity Identifying Number:	N/A
Award Year:	1996, 1995, and 1994
Questioned Costs:	$10,395

A. Approximately $550 in federal funds provided could not be accounted for because of incomplete or missing records.

B.1. Invoices and other documentation for expenditures totaling approximately $7,090, were not retained by the Sheriff's Department.

2. Because some invoices could not be located, it was not determinable whether some of the equipment items were purchased or rented. At least $2,755 in supplies and equipment purchased for the Sheriff's Department could not be located, or accounted for.

C. In addition to operating the local Domestic Cannabis Eradication/Suppression Program, the former Sheriff’s office instead of the County Treasurer performed the duties of receiving, disbursing, and accounting for the grant monies.

Recommendation:

The County Commission resolve the questioned costs with the grantor agency. In addition, the commission should:

A&
B.2. Consult with the Prosecuting Attorney and the current Sheriff to determine the county's options in relation to any possible investigation of the unaccounted for cash and equipment.

B.1. Provide any needed support to the current Sheriff to ensure complete documentation is provided and maintained for all future transactions related to the program.

C. Work with the current Sheriff to ensure that all future program monies received by the county are deposited with the County Treasurer, and all related expenditures are processed through the county's regular disbursement operation.

Status:

We have not resolved all questioned costs with the grantor agency and are continuing to attempt to contact the appropriate grantor authorities.

A-C. Implemented. A special prosecutor was appointed to work with the Missouri State Highway Patrol to investigate the missing equipment. During October 1998, several equipment items and $1,222 were obtained from the former sheriff.

SECTION ON OTHER MATTERS

SCOTLAND COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999. We also have audited the compliance of Scotland County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Scotland County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. County Expenditures

   We noted five instances of items purchased by the county totaling over $26,700 where bids were not solicited or advertised by the county or bid documentation was not retained. Examples included a used truck, a truck bed, and liability insurance.

2. Capital Improvement and Law Enforcement Sales Tax

   The county did not deposit revenues from the capital improvement sales tax or the law enforcement sales tax into separate funds to properly account for the use of these monies.

3. Property Tax System Control Weaknesses

   The County Clerk did not prepare the current or back tax books for real estate and personal property taxes or verify the tax book totals, and did not maintain an account book with the County Collector to help verify the accuracy of the Collector's annual settlements. The County Collector made changes to the property tax records for additions and abatements occurring throughout the year but there was no independent or subsequent review of the actual changes made to the property tax records or to amounts reflected on the Collector's annual settlement to ensure they were correct.

4. Computer Controls

Backup disks of information for the county's computer systems, which are kept to provide a means of recreating destroyed master disks, were not stored at an off-site location.

5. Personnel Policies and Procedures

Centralized leave records were not maintained for county employees. The county does not have a detailed written personnel policies and procedures manual to address issues such as how compensatory time or overtime is earned, the personal use of county equipment, or whether employees are to be compensated for unused leave upon termination.

6. Potential Conflict of Interest

One County Commissioner works as a part-time dispatcher for the Sheriff's department in addition to serving as County Commissioner. This situation may present a conflict of interest under state law.

7. Documentation of Reimbursable Expenses

The county made monthly payments of $340 and $150 to the Prosecuting Attorney and the Circuit Court Judge, respectively, as an allowance for their office expenses. Insufficient supporting documentation was maintained to support the amounts paid.

8. Prisoner Board Billings

The county had no formal follow-up procedures for collecting unpaid board bills. As a result, several board bills were left unpaid causing lost revenue for the county. In addition the county failed to obtain written agreements for boarding prisoners from various other political subdivisions.

9. General Fixed Asset Procedures and Controls

The County Clerk did not maintain adequate records of general fixed assets. The listing of fixed assets has not been updated since 1993, periodic inventory counts are not conducted, and fixed assets are not numbered, tagged, or otherwise identified. Four fixed assets with a combined total purchase cost of $158,372 were noted as not being added to the fixed asset listing.

10. Published Financial Statements

The published financial statements of the county did not include the financial activity of various county funds, including the health center, as required by state law.

11. Health Center Controls and Procedures

After April 1998, the Health Center did not perform or document bank reconciliations for their bank accounts.

The amount of collateral securities pledged by the health center's depository banks at January 13, 1999 and January 29, 1998, was insufficient by approximately $10,500 and $29,800 respectively, to cover deposits of the health center.

Health Center expenditures did not always indicate receipt of goods or services, and paid invoices were not always marked as paid or canceled to prevent duplicate payment.

The Health Center operated a Car Seat Program and a Loan Equipment Program during the audit period. The Health Center's budget document did not reflect the financial transactions of these programs.

This Letter on Other Matters is intended for the information of the management of Scotland County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

AUDIT REPORT

MADISON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-69
August 31, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

FACT SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Madison, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Madison County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As similarly noted in the prior audit report, the financial condition of the county's General Revenue Fund remains weak. In addition to the declining cash balances, the county General Revenue Fund had liabilities of more than $172,000 at December 31, 1998.

- Although noted in several prior audits, the Collector is still not performing statutory duties which would aid the county's financial condition. The County Collector has not made an attempt to properly withhold commissions which has resulted in lost revenue to the county.

- Actual receipt and disbursement amounts were not correctly reported on the county budgets and published financial statements. In addition, formal budgets were not prepared for various county funds and actual disbursements exceeded budget amounts in several funds.

- Similar concerns from the prior audit were again noted in the County Collector's procedures including inadequate reconciliations, the failure to properly compare collections to deposits, poor handling of partial payments, and incomplete annual settlements.

- The Madison County Council Developmentally Disabled (MCCDD) incorrectly billed various agencies for services performed. The audit also noted concerns with MCCDD including lack of summary records for leave, bonuses paid to employees, inadequate bidding procedures, and incomplete fixed asset records.

(over)

Also included in the audit are recommendations to improve the county's bidding procedures, written agreements, property tax system, personnel procedures and records and vehicle records and to better monitor collateral securities pledged by county banks. Additional recommendations were made to improve the records and procedures of the Prosecuting Attorney and the Assessor, as $408 was unaccounted for in the Assessor's office.

MADISON COUNTY, MISSOURI

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MADISON COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Madison County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Madison County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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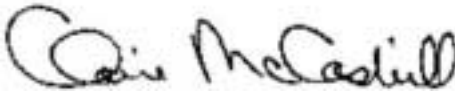
Madison County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 18, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Madison County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Madison County, Missouri

We have audited the special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Madison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Madison County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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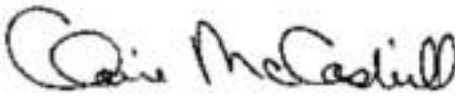
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Madison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

MADISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	19,814	1,118,475	1,121,796	16,493
Special Road and Bridge		9,970	771,469	730,821	50,618
Assessment		0	108,098	98,695	9,403
Law Enforcement Training		7,976	7,681	2,473	13,184
Prosecuting Attorney Training		2,363	1,389	2,000	1,752
Domestic Violence		5,893	2,568	2,338	6,123
911		6,859	114,659	100,293	21,225
Capital Improvement		367	462,596	446,303	16,660
Special Law Enforcement		7,739	19,296	25,731	1,304
Recorder's User Fees		1,149	5,908	4,198	2,859
Health Center		106,523	262,333	255,372	113,484
Madison County Council for Developmentally Disabled		110,206	443,209	439,259	114,156
Prosecuting Attorney Bad Check		1,011	2,977	3,162	826
Law Enforcement Block Grant		183	0	183	0
Forfeiture		0	3,385	1,746	1,639
Associate Circuit Division Interest		6	512	496	22
Circuit Clerk Interest		516	2,788	742	2,562
Total	$	280,575	3,327,343	3,235,608	372,310

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MADISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	27,257	993,378	1,000,821	19,814
Special Road and Bridge		8,360	551,902	550,292	9,970
Assessment		1,372	108,314	109,686	0
Law Enforcement Training		3,777	6,870	2,671	7,976
Prosecuting Attorney Training		3,074	2,022	2,733	2,363
Domestic Violence		10,140	2,642	6,889	5,893
911		5,380	96,665	95,186	6,859
Capital Improvement		39,609	445,038	484,280	367
Special Law Enforcement		0	47,247	39,508	7,739
Recorder's User Fees		0	24,974	23,825	1,149
Health Center		87,354	256,303	237,134	106,523
Madison County Council for Developmentally Disabled		24,363	447,186	361,343	110,206
Prosecuting Attorney Bad Check		439	3,630	3,058	1,011
Law Enforcement Block Grant		0	7,409	7,226	183
CDBG Water District Grant		0	267,844	267,844	0
Associate Circuit Division Interest		464	476	934	6
Circuit Clerk Interest		3,277	1,565	4,326	516
Total	$	214,866	3,263,465	3,197,756	280,575

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 61,000	68,268	7,268	91,998	113,207	21,209
Sales taxes	348,972	321,366	-27,606	341,104	335,550	-5,554
Intergovernmental	182,070	176,813	-5,257	210,150	163,751	-46,399
Charges for services	315,900	376,544	60,644	220,100	243,460	23,360
Interest	1,500	1,319	-181	1,500	1,415	-85
Other	72,750	29,647	-43,103	35,285	32,574	-2,711
Loan proceeds	0	25,000	25,000	0	25,000	25,000
Transfers in	2,500	119,518	117,018	28,000	78,421	50,421
Total Receipts	984,692	1,118,475	#VALUE!	928,137	993,378	#VALUE!
DISBURSEMENTS						
County Commission	47,709	47,613	96	46,900	47,470	-570
County Clerk	57,651	54,923	2,728	53,616	53,468	148
Elections	59,439	50,774	8,665	25,325	25,131	194
Buildings and grounds	55,270	61,847	-6,577	37,270	37,027	243
Employee fringe benefits	84,500	101,874	-17,374	85,626	92,239	-6,613
County Treasurer	19,679	17,850	1,829	19,208	17,673	1,535
County Collector	53,186	51,576	1,610	49,174	51,386	-2,212
Circuit Clerk	22,933	22,674	259	31,299	21,975	9,324
Associate Circuit Court	10,950	9,996	954	18,440	7,370	11,070
Court administration	6,465	4,526	1,939	1,554	2,937	-1,383
Public Administrator	5,905	6,135	-230	5,845	5,906	-61
Sheriff	179,750	205,657	-25,907	149,110	175,802	-26,692
Jail	80,704	97,605	-16,901	74,400	79,847	-5,447
Dispatchers	57,050	69,936	-12,886	59,250	57,327	1,923
Prosecuting Attorney	50,652	50,241	411	51,916	50,321	1,595
Juvenile Officer	70,769	68,289	2,480	63,599	67,642	-4,043
County Coroner	11,950	10,960	990	11,410	10,971	439
Surveyor	150	500	-350	0	150	-150
Debt service	25,468	53,892	-28,424	44,152	19,925	24,227
Other	82,519	76,192	6,327	101,571	118,318	-16,747
Transfers out	0	58,736	-58,736	22,958	57,936	-34,978
Total Disbursements	982,699	1,121,796	-139,097	952,623	1,000,821	-48,198
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,993	-3,321	#VALUE!	-24,486	-7,443	#VALUE!
CASH, JANUARY 1	19,814	19,814	0	27,257	27,257	0
CASH, DECEMBER 31	$ 21,807	16,493	#VALUE!	2,771	19,814	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 157,725	175,336	17,611	172,000	209,182	37,182
Intergovernmental	413,006	500,084	87,078	303,000	312,192	9,192
Charges for services	12,000	8,150	-3,850	16,400	10,248	-6,152
Interest	2,000	1,596	-404	1,800	1,995	195
Other	18,960	25,303	6,343	6,800	18,285	11,485
Loan proceeds	0	25,000	25,000	0	0	0
Transfers in	28,500	36,000	7,500	0	0	0
Total Receipts	632,191	771,469	139,278	500,000	551,902	51,902
DISBURSEMENTS						
Salaries	193,511	158,402	35,109	150,000	179,285	-29,285
Employee fringe benefits	20,931	36,222	-15,291	43,290	20,056	23,234
Supplies	100,000	83,833	16,167	84,600	126,758	-42,158
Insurance	8,500	10,402	-1,902	13,000	8,623	4,377
Road and bridge materials	75,000	76,294	-1,294	93,000	103,999	-10,999
Equipment repairs	3,000	35,883	-32,883	10,000	0	10,000
Rentals	8,500	0	8,500	0	0	0
Equipment purchases	33,397	34,904	-1,507	18,500	11,257	7,243
Construction, repair, and maintenance	133,368	118,011	15,357	10,376	11,199	-823
Debt service	0	41,741	-41,741	10,600	0	10,600
Other	40,850	36,633	4,217	51,200	45,270	5,930
Transfers out	18,996	98,496	-79,500	15,000	43,845	-28,845
Total Disbursements	636,053	730,821	-94,768	499,566	550,292	-50,726
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,862	40,648	44,510	434	1,610	1,176
CASH, JANUARY 1	9,970	9,970	0	8,360	8,360	0
CASH, DECEMBER 31	$ 6,108	50,618	44,510	8,794	9,970	1,176

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 80,024	80,771	747	85,990	90,368	4,378
Interest	0	298	298	300	211	-89
Other	1,500	4,293	2,793	1,610	2,449	839
Transfers in	22,736	22,736	0	15,286	15,286	0
Total Receipts	104,260	108,098	3,838	103,186	108,314	5,128
DISBURSEMENTS						
Assessor	104,260	98,681	5,579	102,780	99,772	3,008
Transfers out	0	14	-14	0	9,914	-9,914
Total Disbursements	104,260	98,695	5,565	102,780	109,686	-6,906
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	9,403	9,403	406	-1,372	-1,778
CASH, JANUARY 1	0	0	0	1,372	1,372	0
CASH, DECEMBER 31	$ 0	9,403	9,403	1,778	0	-1,778

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	2,073	2,073	0	1,510	1,510
Charges for services	6,800	5,373	-1,427	6,000	5,232	-768
Interest	0	235	235	45	128	83
Total Receipts	6,800	7,681	881	6,045	6,870	825
DISBURSEMENTS						
Sheriff	4,100	2,473	1,627	4,000	2,671	1,329
Total Disbursements	4,100	2,473	1,627	4,000	2,671	1,329
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,700	5,208	2,508	2,045	4,199	2,154
CASH, JANUARY 1	7,976	7,976	0	3,777	3,777	0
CASH, DECEMBER 31	$ 10,676	13,184	2,508	5,822	7,976	2,154

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,000	1,339	-661	3,000	1,952	-1,048
Interest	0	50	50	70	70	0
Total Receipts	2,000	1,389	-611	3,070	2,022	-1,048
DISBURSEMENTS						
Prosecuting Attorney	2,500	2,000	500	2,000	2,618	-618
Transfers out	0	0	0	0	115	-115
Total Disbursements	2,500	2,000	500	2,000	2,733	-733
RECEIPTS OVER (UNDER) DISBURSEMENTS	-500	-611	-111	1,070	-711	-1,781
CASH, JANUARY 1	2,363	2,363	0	3,074	3,074	0
CASH, DECEMBER 31	$ 1,863	1,752	-111	4,144	2,363	-1,781

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,656	2,400	-256	2,450	2,440	-10
Interest	0	168	168	215	202	-13
Total Receipts	2,656	2,568	-88	2,665	2,642	-23
DISBURSEMENTS						
Domestic Violence Shelter	3,500	2,338	1,162	3,000	3,576	-576
Transfers out	0	0	0	0	3,313	-3,313
Total Disbursements	3,500	2,338	1,162	3,000	6,889	-3,889
RECEIPTS OVER (UNDER) DISBURSEMENTS	-844	230	1,074	-335	-4,247	-3,912
CASH, JANUARY 1	5,893	5,893	0	10,140	10,140	0
CASH, DECEMBER 31	$ 5,049	6,123	1,074	9,805	5,893	-3,912

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 80,000	114,162	34,162	80,000	78,904	-1,096
Interest	200	497	297	0	340	340
Other	0	0	0	13,500	3,884	-9,616
Transfers in	0	0	0	0	13,537	13,537
Total Receipts	80,200	114,659	34,459	93,500	96,665	3,165
DISBURSEMENTS						
Salaries	35,689	22,501	13,188	45,057	17,947	27,110
Office disbursements	5,800	5,475	325	3,120	11,708	-8,588
Equipment	41,754	50,405	-8,651	43,500	46,222	-2,722
Mileage and training	1,800	1,087	713	2,200	1,906	294
Transfers out	0	20,825	-20,825	0	17,403	-17,403
Total Disbursements	85,043	100,293	-15,250	93,877	95,186	-1,309
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,843	14,366	19,209	-377	1,479	1,856
CASH, JANUARY 1	6,859	6,859	0	1,080	5,380	4,300
CASH, DECEMBER 31	$ 2,016	21,225	19,209	703	6,859	6,156

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	$ 348,972	344,498	-4,474	310,000	305,621	-4,379
Charges for services	75,000	39,980	-35,020	100,000	93,759	-6,241
Interest	4,000	3,118	-882	3,000	3,773	773
Other	0	0	0	0	35,730	35,730
Loan proceeds	0	75,000	75,000	0	0	0
Transfers in	0	0	0	0	6,155	6,155
Total Receipts	427,972	462,596	34,624	413,000	445,038	32,038
DISBURSEMENTS						
Debt service	423,920	446,303	-22,383	441,502	484,280	-42,778
Total Disbursements	423,920	446,303	-22,383	441,502	484,280	-42,778
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,052	16,293	12,241	-28,502	-39,242	-10,740
CASH, JANUARY 1	367	367	0	39,609	39,609	0
CASH, DECEMBER 31	$ 4,419	16,660	12,241	11,107	367	-10,740

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL LAW ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 33,000	19,154	-13,846	30,000	32,956	2,956
Interest	0	142	142	0	179	179
Other	0	0	0	0	8,300	8,300
Transfers in	0	0	0	0	5,812	5,812
Total Receipts	33,000	19,296	-13,704	30,000	47,247	17,247
DISBURSEMENTS						
Sheriff	25,000	22,495	2,505	27,300	34,628	-7,328
Prosecuting Attorney	2,000	300	1,700	0	858	-858
Associate Circuit Court	6,000	2,936	3,064	300	272	28
Transfers out	0	0	0	2,400	3,750	-1,350
Total Disbursements	33,000	25,731	7,269	30,000	39,508	-9,508
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-6,435	-6,435	0	7,739	7,739
CASH, JANUARY 1	7,739	7,739	0	5,812	0	-5,812
CASH, DECEMBER 31	$ 7,739	1,304	-6,435	5,812	7,739	1,927

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,500	5,472	-28	5,670	5,280	-390
Intergovernmental	6,500	0	-6,500	0	1,438	1,438
Interest	100	86	-14	0	210	210
Transfers in	0	350	350	0	18,046	18,046
Total Receipts	12,100	5,908	-6,192	5,670	24,974	19,304
DISBURSEMENTS						
Recorder	6,644	4,198	2,446	17,100	23,825	-6,725
Total Disbursements	6,644	4,198	2,446	17,100	23,825	-6,725
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,456	1,710	-3,746	-11,430	1,149	12,579
CASH, JANUARY 1	1,149	1,149	0	17,146	0	-17,146
CASH, DECEMBER 31	$ 6,605	2,859	-3,746	5,716	1,149	-4,567

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 61,249	65,417	4,168	58,800	70,562	11,762
Intergovernmental	144,415	168,061	23,646	105,979	125,508	19,529
Charges for services	1,500	1,248	-252	26,800	22,634	-4,166
Interest	750	6,070	5,320	900	5,766	4,866
Other	31,928	21,537	-10,391	20,678	31,833	11,155
Total Receipts	239,842	262,333	22,491	213,157	256,303	43,146
DISBURSEMENTS						
Salaries	211,437	213,944	-2,507	196,741	197,286	-545
Office disbursements	9,865	9,405	460	7,930	14,976	-7,046
Equipment	3,550	3,634	-84	1,190	6,930	-5,740
Mileage and training	4,700	4,597	103	2,300	2,885	-585
Building	11,500	11,450	50	1,900	2,903	-1,003
Insurance	2,140	2,289	-149	2,295	3,239	-944
Utilities	7,325	7,228	97	5,425	6,520	-1,095
Contract services	600	590	10	480	360	120
Other	185	2,235	-2,050	130	2,035	-1,905
Total Disbursements	251,302	255,372	-4,070	218,391	237,134	-18,743
RECEIPTS OVER (UNDER) DISBURSEMENTS	-11,460	6,961	18,421	-5,234	19,169	24,403
CASH, JANUARY 1	28,542	106,523	77,981	15,425	87,354	71,929
CASH, DECEMBER 31	$ 17,082	113,484	96,402	10,191	106,523	96,332

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MADISON COUNTY COUNCIL FOR DEVELOPMENTALLY DISABLED FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 109,027	118,241	9,214	99,960	121,188	21,228
Intergovernmental	329,131	317,302	-11,829	388,600	310,944	-77,656
Charges for services	0	3,317	3,317	0	6,320	6,320
Interest	2,500	3,952	1,452	3,600	2,603	-997
Other	3,500	397	-3,103	1,562	6,131	4,569
Total Receipts	444,158	443,209	-949	493,722	447,186	-46,536
DISBURSEMENTS						
Salaries	402,781	286,005	116,776	344,497	201,537	142,960
Office disbursements	4,150	5,993	-1,843	3,250	2,860	390
Equipment	30,000	13,411	16,589	20,000	23,588	-3,588
Mileage and training	33,768	39,662	-5,894	15,800	15,038	762
Buildings and grounds	1,000	1,667	-667	15,600	13,868	1,732
Debt service	10,000	0	10,000	10,000	13,379	-3,379
Loan payment	25,000	25,000	0	25,000	25,000	0
Contract services	32,000	54,680	-22,680	54,000	59,991	-5,991
Other	9,350	12,841	-3,491	8,950	6,082	2,868
Total Disbursements	548,049	439,259	108,790	497,097	361,343	135,754
RECEIPTS OVER (UNDER) DISBURSEMENTS	-103,891	3,950	107,841	-3,375	85,843	89,218
CASH, JANUARY 1	104,920	110,206	5,286	110,868	24,363	-86,505
CASH, DECEMBER 31	$ 1,029	114,156	113,127	107,493	110,206	2,713

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 3,300	3,630	330
Interest	40	0	-40
Total Receipts	3,340	3,630	290
DISBURSEMENTS			
Prosecuting Attorney	3,000	3,058	-58
Total Disbursements	3,000	3,058	-58
RECEIPTS OVER (UNDER) DISBURSEMENTS	340	572	232
CASH, JANUARY 1	439	439	0
CASH, DECEMBER 31	$ 779	1,011	232

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board or the Madison County Council for Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Enforcement Block Grant Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998
Forfeiture Fund	1998
CDBG Water District Grant Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	1998 and 1997
Special Road and Bridge Fund	1998 and 1997
911 Fund	1998 and 1997
Capital Improvement Fund	1998 and 1997
Health Center Fund	1998 and 1997
Assessment Fund	1997
Prosecuting Attorney Training Fund	1997
Domestic Violence Fund	1997
Special Law Enforcement Fund	1997
Recorder's User Fees Fund	1997
Prosecuting Attorney Bad Check Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	1998 and 1997
Madison County Council for Developmentally Disabled Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase

agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has (has not) adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not a year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $78,535 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $41,417. As of December 31, 1998, $15,533 remains to be paid.

Supplementary Schedule

Schedule

MADISON COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct program:			
10.unknown	Forest Patrol Contract	N/A	$ 4,500	5,610
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9162	53,356	44,355
	Office of Administration -			
10.7	Schools and Roads - Grants to States	N/A	67,634	85,495
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	92-PF11	0	267,844
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	25,000	22,116
16.6	Passed through state Department of Public Safety - Local Law Enforcement Block Grants Program	96-LBG-081	0	6,660
16.unknown	Passed through Missouri Sheriffs' Association - Domestic Cannabis Eradication/Suppression Program	N/A	1,100	3,836
16.unknown	Passed through Missouri State Highway Patrol-Equitable Sharing of Seized and Forfeited Property	N/A	3,371	0
	U.S. DEPARTMENT OF LABOR			
	Passed through East Missouri Action Agency -			
17.3	Job Training Partnership Act	N/A	5,157	8,203
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-062(5)	185,425	2,166

	GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -				
39.0	Donation of Federal Surplus Personal Property	N/A		19	1,230
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:				
	Department of Health -				
93.2	Childhood Lead Poisoning Prevention	ERO146-9162		181	0
93.3	Immunization Grants	ERO062-7162		4,195	6,095
	Department of Social Services -				
93.6	Child Support Enforcement	N/A		3,058	3,168
::					
	Department of Health -				
93.6	Child Care Health and Safety Consultation	ERO146-9162		3,705	1,703
94.0	Maternal and Child Health Services				
	Block Grant to the States	ERO146-9162		16,358	20,049
	Total Expenditures of Federal Awards		$	373,059	478,530

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

MADISON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Madison County, Missouri, except for the programs accounted for in the Madison County Memorial Hospital Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended September 30, 1998 and 1997.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $267,844 to a subrecipient under Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Madison County, Missouri

Compliance

We have audited the compliance of Madison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Madison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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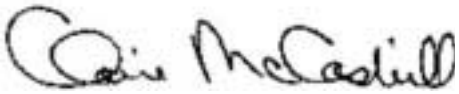
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Madison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Madison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

Schedule

MADISON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	X no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	X none reported
Noncompliance material to the financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness identified?	_____ yes	X no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	X no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
14.228	Community Development Block Grants/State's Program
20.205	Off-system Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MADISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Government Auditing Standards requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MADISON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

6.B. Federal Financial Assistance

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Bridge Replacement and Rehabilitation Program - Off System
Pass-Through Entity Identifying Number:	BRO-062(5)
Award Year:	1996
Questioned Costs:	$19,956

Proposals were not solicited for engineering services for a federally funded bridge project. Reimbursements of $19,956 were included as questioned costs.

Recommendation:

The County Commission solicit and document proposals for engineering services. The County Commission should contact state and federal grantor agencies to resolve the questioned costs.

Status:

The county has not entered into any new engineering agreements. The state grantor agency indicated that the questioned costs were resolved.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MADISON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999. We also have audited the compliance of Madison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Madison County Memorial Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed the audit reports and the substantiating working papers for the years ended September 30, 1998 and 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings

other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Madison County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for audits performed in accordance with *Government Auditing Standards*.

1. Financial Condition

As similarly noted in the prior audit report, the financial condition of the county's General Revenue Fund remains weak. The following shows receipts, disbursements, and ending cash balances for the two years ended December 31, 1998:

Cash Balance, January 1, 1997	$ 27,257
Receipts	993,378
Disbursements	1,000,821
Cash Balance, December 31, 1997	19,814
Receipts	1,118,475
Disbursements	1,121,796
Cash Balance, December 31, 1998	$ 16,493

The 1999 budget anticipates disbursements to exceed receipts by $16,195, resulting in a $298 budgeted cash balance at December 31, 1999.

In addition, the county General Revenue Fund had the following liabilities at December 31, 1998:

Tax Anticipation Notes payable	$ 76,656
Loan from the Special Road and Bridge Fund	72,000
Use tax liability	15,533
Department of Natural Resources Energy Loan	7,871
Total Liabilities	$ 172,060

As a result of the declining cash balances, the county General Revenue fund borrowed $150,000 in tax anticipation notes during the two years ended December 31, 1998. The county has not had the funds to pay back the majority of the tax anticipation notes in one year, rather, the tax anticipation notes have been renewed annually. Section 50.070, RSMo 1994, provides that tax anticipation notes are to be payable in one year or less from the date of issuance out of current county revenues to be derived from taxes or other revenues of the county of the year in which said notes are issued. The county has paid more than $9,900 in interest during the two years ended December 31, 1998.

In 1998, the Special Road and Bridge Fund borrowed $25,000 to purchase equipment. Such borrowing may not have been necessary if the Special Road and Bridge Fund had not loaned money to the General Revenue Fund.

The County Commission should review disbursements and reduce discretionary amounts as much as possible. In addition, the County Commission should review budgetary and accounting controls and attempt to maximize all revenues. Factors contributing to the weak financial condition are:

A. The county issued warrants in excess of its budgeted disbursements for the General Revenue Fund in 1998 and 1997, as noted in MAR No.2. In addition, the county disbursements exceeded receipts in 1998 and 1997 and the 1999 budget anticipates disbursements to exceed receipts.

B. As discussed in MAR No.6., the County Collector has not properly withheld more than $25,000 from school tax collections, requiring larger subsidies from the General Revenue Fund to the Assessment Fund. Additionally, commissions from tax collections were not properly withheld totaling more than $32,800 which are due to the General Revenue Fund.

C. The County Commission did not always solicit bids for major purchases, as noted in MAR No.3. Considering the financial condition of the General Revenue Fund, all county officials should be using extreme diligence when directing the use of county resources.

WE AGAIN RECOMMEND the County Commission take the necessary steps to improve the financial condition of the General Revenue Fund.

AUDITEE'S RESPONSE

The County Commission indicated they have tried to pass a use tax, but it failed. Because they have now recovered all excess property taxes due to the sales tax roll back in prior years, they were able to have a larger general levy. They have also considered a law enforcement sales tax. They will try to improve the financial condition of the county.

2. Budgets and Financial Statements

A. Actual disbursements exceeded budgeted amounts in various funds as follows:

Fund		Year Ended December 31, 1998	1997
General Revenue	$	139,097	48,198
Special Road and Bridge		94,768	50,726
Assessment		N/A	6,906
Prosecuting Attorney Training		N/A	733
Domestic Violence		N/A	3,889
911		15,250	1,309
Capital Improvement		22,383	42,778
Special Law Enforcement		N/A	9,508
Recorder's User Fees		N/A	6,725
Health Center		4,070	18,743
Prosecuting Attorney Bad Check		N/A	58

There was no documentation that the county periodically compared disbursements to budgeted amounts. The Health Center actually filed an amended budget in December 1998; however, disbursements still exceeded the budgeted amounts.

It was ruled in State ex rel. Strong V. Cribb, 364 Mo. 1122,273 SW2d 246(1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budgets.

B. During our review of the county budget documents, we noted the following errors and misclassifications:

1) Actual receipts and disbursements were not correctly reported on the county budgets and published financial statements. Errors included incorrect amounts being reported, mathematical errors, and inconsistent and erroneous classifications of receipts. The County Clerk reconciles total receipts and disbursements to the County Treasurer's records on a monthly basis. However, it appears that when she posts actual amounts to the budget, she simply records the amounts in error and does not attempt to reconcile total actual amounts as reported on the budget to the treasurer's records. The County Clerk had no support or explanation as to the source of her reported amounts. Adjustments have been made to the audited financial statements to correct misclassifications and erroneous amounts.

2) Cash reconciliations were not always completed for various funds. Had the cash reconciliations been properly performed, several errors could have been detected.

The county's budgets should include accurate financial information and classifications of receipts and disbursements to ensure the county's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

C. Formal budgets were not prepared for various county funds for the two years ended December 31, 1998. Chapter 50, RSMo 1994, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more efficiently evaluate all county financial resources.

D. The county did not budget emergency expenditures for the two years ended December 31, 1998. Section 50.540 requires at least 3 percent of anticipated General Revenue Fund revenues be budgeted for emergency situations.

E. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements show receipts or revenues, disbursements or expenditures and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Conditions similar to A, B, C, and E were noted in our prior report.

WE RECOMMEND the County Commission:

A. And the Health Center Board not authorize warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.

B. And the County Clerk ensure all significant receipts and disbursements are accurately and consistently reported in the county budget documents and published financial statements. In addition, the County Clerk should properly prepare the cash reconciliation portion of the budget document.

C. Ensure budgets are prepared for all funds.

D. Ensure emergency funds are budgeted with the General Revenue Fund.

E. Ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They will amend the budgets in the future when necessary.

B. Along with the County Clerk, that they will try to improve the reporting process and will perform cash reconciliations for each fund. They believe they have improved in this area.

C. They will file budgets for each fund. The budgets that were missing were for smaller funds.

D. They will do this next year.

E. They have improved on this and will include all funds in the future.

The Health Center Administrator indicated:

A. They will not authorize warrants in excess of budgeted disbursements. The original budget will be formally amended and filed with the State Auditor's office on a quarterly basis.

3. Written Agreements and Disbursements

A. Payments for services were made or services were performed without current written agreements as follows:

1) The county boards prisoners for the city of Fredericktown and other counties. The county charges $17 per day for each prisoner housed in the county jail for the city and $35 per day for various counties. The county does not have written agreements with the city or counties detailing the services to be provided or the daily charges.

2) The county provides dispatching services for the city of Fredericktown. The existing contract is from 1989 and has not been updated to reflect the changes in rates charged.

3) The Prosecuting Attorney does not have an office in the courthouse. Instead, he maintains an office outside the courthouse, which is used for both county business and his private practice. The county does not have a written agreement with the Prosecuting Attorney outlining what costs will be paid and what office personnel

and equipment will be provided by the county and what will be provided by the private practice. There is no documentation to support the current verbal agreements or to ensure county resources are not being used to subsidize the private practice.

Currently, the county pays $200 for rent, $150 for copies, and actual phone charges monthly. There are no invoices submitted to support the amounts paid for rent or copies. In addition, phone bills are not submitted to the county to support actual phone charges. For the two years ended December 31, 1998, a total of $11,231 was paid to the Prosecuting Attorney. In addition, the county does not prepare an IRS Form 1099-MISC information return for these amounts.

Since county resources should be used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what the arrangements are, what rent will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained.

To ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work effort to avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources.

Section 432.070, RSMo 1994, states all contracts entered into by the county shall be in writing and signed by each of the parties. Disbursements under contractual agreements should be monitored to ensure the reasonableness and propriety of expenditures, and compliance with contractual terms.

B. Bids were not always solicited or advertised by the county nor was the selection process always documented for various purchases made by the county during the two years ended December 31, 1998. The County Commission minutes did not always document information considered when awarding bids to a vendor other than the lowest bidder, reasons why a purchase was considered sole source, information solicited by phone, and information obtained when deciding if the purchase price for a used item was reasonable. Examples of items purchased for which adequate bid documentation could not be located are as follows:

Item	Cost For Two Years
Black top	$ 87,346
Gravel	73,993
Fuel	59,271
Prisoner meals	37,667
Services for hauling gravel	23,566
Sheriff vehicles	17,500

Section 50.660, RSMo Cumulative Supp. 1998, requires advertisement of bids for all purchases of $4,500 or more.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are followed.

C. The County Commission approved some payments to vendors without requiring acknowledgment of receipt of goods or services. The exceptions included gravel, cold mix, parts, supplies, prisoner meals, and other items. Additionally, instances were found where individual receipts accompanying the monthly invoice for fuel did not identity the vehicle for which fuel was purchased. To ensure that payments are valid and for goods or services actually received, evidence of receipt of goods or services should be noted and fuel receipts should indicate the vehicle fueled.

Conditions similar to B and C were noted in our prior two reports.

WE AGAIN RECOMMEND the County Commission:

A. Enter into written contracts that specifically state the services to be provided to the county. Any disbursements made should be monitored for compliance with the terms of the contract. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.

B. Solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

C. Ensure all invoices contain an indication of receipt of goods, or services and fuel receipts indicate which vehicle is fueled.

AUDITEE'S RESPONSE

The County Commission indicated:

A. The county will enter into contracts for all services.

B. They will better document in the minutes justifications for not bidding certain items.

C. They will try to improve on this.

The Prosecuting Attorney indicated:

A. He will enter into a written agreement with the county and document how the rent charges are determined.

4. Personnel and Payroll Policies and Procedures

A. In addition to her regular county salary, the Prosecuting Attorney's secretary received $22,152 for the two years ended December 31, 1998 for time spent on child support enforcement activities and for services in processing bad checks. These additional payments were not included in the county payroll records and were not reported on the employee's W-2 form. Additionally, while the secretary prepared a time sheet to support her monthly salary paid from the county General Revenue Fund, there was no documentation to support this additional compensation for child support enforcement and bad check processing activities.

To ensure compliance with the Fair Labor Standards Act (FLSA) and ensure the propriety of payments made, time worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process. In addition, the Internal Revenue Code requires employers to report all wages on W-2 forms.

B. During our review of the Sheriff's deputies' salaries, we noted the following concerns:

1) Sheriff deputies work additional hours over their regular duty hours in association with National Park Patrol (Coop), Drug Enforcement Administration (DEA), and Operation Cash Crop program grants. The deputies record these hours and submit them for reimbursement from the grants; however, actual hours worked are normally more than hours reimbursed. Only the hours reimbursed are reported to

the county and included in the county payroll. The hours not paid by the grants are not reported and the deputies do not receive payment for these hours.

2) The county is not properly compensating Sheriff deputies for overtime hours. They are paid at the straight time pay rate for the extra hours worked instead of at the premium rate as required under the Fair Labor Standards Act (FLSA). The Presiding Commissioner indicated that the deputies do not receive overtime anymore, rather, the two parties came to an agreement to receive paid holidays and straight time for overtime hours. The FLSA requires overtime compensation if hours worked in a twenty-eight day period exceed 171 for law enforcement personnel.

3) Section 57.290, RSMo 1994 provides the Sheriff shall be allowed various fees for transporting convicted offenders to a designated center. In addition to $8 and $6 per diems, the transporter and each guard receive fees of 25 cents per mile for going to and returning from the center. These fees are paid by the state and remitted to the County Treasurer. The county then pays the deputies serving as guards the per diem and mileage fee received from the state in addition to their regular compensation.

   The county considers the employees to be off-duty when transporting prisoners and these fees were not subjected to payroll withholdings and were not reported on the respective W-2 forms. In addition, the hours spent in transporting prisoners are not included on time sheets. Our review indicated $12,929 was paid to deputies for guard fees during the two years ending December 31, 1998. Without time sheets, it is not possible to determine if the $12,929 was more or less than what should have been paid to the deputies.

   Any full-time county employee serving as a guard should be compensated under normal county payroll procedures, calculating hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms.

The FLSA requires employers to keep accurate records of actual time worked by employees including compensatory time earned, taken, or paid. It also requires that all covered employees working overtime are entitled to time and one-half in wages or in compensatory time.

C. Records are not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees. The County Clerk indicated these records are to be maintained by each individual office but our review noted that some offices, including the County Clerk, Collector, Treasurer, and Assessor, are not maintaining these records. Accurate records of leave and compensatory time are necessary to ensure

compliance with the FLSA and to ensure employees are properly compensated for accumulated leave.

D. Several county employees from various offices with access to money are not covered by an employee bond. Properly bonding all persons with access to monies would better protect the official and county from risk of loss.

Conditions similar to B.1., C, and D were noted in our two prior reports.

WE AGAIN RECOMMEND the County Commission:

A.1. And the Prosecuting Attorney ensure all salary payments are subject to payroll withholdings and reported on W-2 forms.

2. And the Prosecuting Attorney ensure additional compensation is supported by documentation of actual time worked.

B.1. Along with the County Clerk and Sheriff ensure all hours worked are properly reported to the county.

2. Review county payroll policies and ensure the county appropriately considers any policy changes needed along with FLSA requirements when handling employee payrolls. This policy review should include obtaining appropriate legal opinions and, if necessary, consultation with the U.S. Department of Labor.

3. And the Sheriff review this situation. Deputies who serve as guards should be paid their normal salary for the amount of time spent, and all payments should be included on W-2 forms.

C. Require records be maintained by the County Clerk's office of vacation, sick leave, and overtime earned, used, and accumulated.

D. Consider obtaining adequate bond coverage for all employees with access to monies.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They have discussed this with the Prosecuting Attorney and will ask for documentation to support this time and include it in county payroll.

B. They will discuss this with the Sheriff and try to resolve these issues. They will ask the Sheriff to keep track of and use compensatory time.

C. They will implement this in the future.

D. They now have a bond that covers all employees.

The Prosecuting Attorney indicated:

A.1. He will request the county to pay the secretary through the payroll system for time spent on child support enforcement activities and services for processing bad checks.

2. He will try to implement this recommendation.

The Sheriff indicated:

B. He will discuss these items with the County Commission.

5. Collateral Securities

A. The amount of collateral securities pledged by the county's depositary banks at January 21, 1999 and January 22, 1998 was insufficient by approximately $680,000 and $775,000, respectively, to cover monies in the custody of the County Treasurer, County Collector, Health Center Board, and Madison County Council for Developmentally Disabled Board. It appears this situation occurred because the bank balances were not adequately monitored by the county.

Section 110.020, RSMo 1994, provides that the value of the securities pledged should at all times by not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

B. A review of the collateral securities pledged to secure county deposits at one of the county's depositary banks indicated that particular securities pledged were not in compliance with statutory requirements. Bonds of political subdivisions in other states were noted on the listing of collateral securities.

Section 30.270, RSMo 1994, allows for state bonds of any state, but not bonds of political subdivisions within other states to be pledged as collateral securities.

WE RECOMMEND the County Commission:

A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

B. Implement procedures to ensure that securities pledged are in compliance with Section 30.270, RSMo 1994.

AUDITEE'S RESPONSE

A&B. The County Commission indicated they will discuss these recommendations with the bank.

6. Lost Revenue

Although noted in our prior five reports, the County Collector has not made an attempt to properly withhold commissions which has resulted in lost revenue to the county. As indicated in MAR 1, the county General Revenue Fund is in poor financial condition; however, the Collector is not performing his statutory duties which would aid the county's financial condition.

A. Our review of commissions withheld by the County Collector and paid to General Revenue during the two years ended February 28, 1999, disclosed various errors:

1) The County Collector does not withhold commissions in accordance with Section 50.338.2, RSMo 1994 (Proposition C). As a result of this situation, the County Collector under withheld a significant amount of commissions from the various school districts. Commissions not withheld from the various school districts' tax collections because of Proposition C for the months of December during the two year audit period totaled approximately $1,200. An additional $31,600 was also noted in the prior audit.

   Since the county receives all of the commissions retained from tax collections, the General Revenue Fund has lost significant revenue as a result of the County Collector not performing his statutory duties.

2) Section 52.250, RSMo 1994, allows a one-half of one percent commission on all current taxes collected, including current delinquent taxes, exclusive of all current railroad and utility taxes collected, as compensation for mailing the statements and receipts. Our review of the December 1997 and 1998 commissions withheld indicated that this commission is not being withheld properly. While the commission was withheld from the school portion of current taxes collected in December 1997, approximately $2,700 was not withheld from the rest of the current taxes collected. In December 1998 the mailing commission was not withheld from any of the current taxes collected which resulted in approximately $9,000 of lost revenue to the General Revenue Fund.

While the effect these procedures had on the amount of commissions withheld was not determined for the entire audit period, an improper amount of commissions was withheld

from tax collections of the various taxing authorities and turned over to the General Revenue Fund.

B. Section 137.750, RSMo 1994, provides the basis for funding assessment maintenance costs. The state reimburses the county for expenses incurred subject to a minimum or maximum per parcel. Funding from the county comes from one percent of taxes collected by all taxing authorities within the county, and the general revenue of the county.

Section 50.338, RSMo 1994, provides that no fund shall lose revenue because of a reduction in school tax levies due to Proposition C. Estimated revenue not withheld from school tax collections due to Proposition C for the months of December during the two year ended December 31, 1998 totaled approximately $900. An additional $25,000 was also noted in our prior audit.

Since the under withholdings are based only on December school tax collections, these amounts represent conservative estimates of the amounts not withheld from the various school districts. The General Revenue Fund is required to fund assessment costs not funded by the state and other taxing authorities in the county. It appears that as a result of the collector not performing his statutory duties, the General Revenue Fund has funded a larger portion of assessment costs than was necessary.

WE AGAIN RECOMMEND the County Collector:

A. Recalculate commissions for the audit period and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with the statutes.

B. Adjust the amounts withheld from school tax collections to take into consideration the effects of Proposition C and withhold the appropriate portion for assessment purposes as provided by statute.

AUDITEE'S RESPONSE

A&B. The County Collector indicated he will try to implement these recommendations.

The County Commission will talk to the schools about the monies due.

7. Property Tax System and Computer Controls

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The County Collector

enters the tax rates, which are obtained from the County Clerk, and extends and prints the tax books. During our review of controls related to the property tax system, we noted the following concerns:

A. The county does not have a formal contingency plan for the computer system. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster.

Development of contingency plans should include plans for a variety of situations, such as both short- and long-term plans for backup hardware, software, facilities, personnel, and power. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies.

The major benefit of thorough contingency planning comes from the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Due to the county's degree of reliance on the data processing function, the need for contingency planning is evident.

B. The county does not have all program documentation prepared by the contract computer programmer. Program documentation is used to explain the coding of computer programs, so changes can be made when necessary. Failure to have arrangements specifying the rights to the program documentation leaves the county at risk should the county and the contractor terminate their working arrangement. The county should obtain a written agreement specifying the county's rights to the program documentation.

C. The County Clerk does not maintain a complete account book with the County Collector. The account book only includes information presented on the monthly settlements of the County Collector, but does not include tax book charges, delinquent credits, abatements and additions, and protested amounts. This account book is to be prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and tax books. An accurate account book would enable the County Clerk to ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Section 51.150(2), RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can also be used by the County Commission to verify the County Collector's annual settlements.

D. Controls over property tax additions need improvement. Tax book additions are initiated by the County Assessor who assigns an assessed value and enters it into the property tax computer system. The County Collector then prepares a tax statement of the taxes due and collects the tax. At the end of the year, the County Collector prints a report of all

property tax additions and charges himself with these additions. The County Commission does not approve these additions.

State law provides for segregation of duties related to property tax charges and collections, and provides for the County Clerk to prepare the tax books and charge the County Collector with the taxes to be collected and provides for the County Commission to approve changes to the tax books. To ensure proper segregation of duties over tax book additions, the County Clerk should prepare all tax book additions and charge the County Collector these amounts. In addition, the County Commission should approve all tax book additions.

Similar conditions were noted in our prior two reports.

WE AGAIN RECOMMEND:

A. The County Commission seek arrangements of alternate data processing equipment for use during emergency situations.

B. The County Commission obtain an agreement with the county's computer programmer which specifies the county's rights regarding program documentation.

C. The County Clerk maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

D. The County Clerk prepare all additions to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They verbally have an agreement with St. Francois County. They will document this in writing.

B. The Collector will discuss this with the computer programmer.

D. They will approve the tax additions.

The County Clerk indicated:

C. She will try to keep this record.

8. County Collector's Accounting Controls and Procedures

During our review of controls surrounding the collection and recording of property taxes, we noted the following concerns:

A. The County Collector does not perform adequate reconciliations of his records. While the County Collector does attempt to identify liabilities at each month's end, the list he prepared as of December 31, 1998, was incorrect. In addition, the collector does not adequately investigate differences noted between the liabilities and the book balance. As of December 31, 1998, cash exceeded liabilities by $3,280 in the County Collector's regular account. During our review of the Collector's partial payment list, we noted a number of payments that were still being carried as a partial payment held in the account, but for which the payment had already been applied towards the full payment of the bill. Also, some partial payments held at December 31, 1998 consisted of payments in the account before January 1997, for which the Collector does not know which taxpayer the payments should apply to.

To ensure all monies are accounted for properly, complete and accurate lists of partial payments should be maintained. In addition, differences noted when performing monthly reconciliations should be promptly investigated and resolved. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed and unidentified monies.

B. The County Collector does not compare the composition and amount of collections received to deposits made to the bank account. To ensure all monies collected are properly recorded and deposited, daily comparisons of collections and deposits should be performed. The Collector is unable to perform such comparisons due to the following concerns:

1) The County Collector does not deposit duplicate tax receipts, copies, and phone charges on a daily basis and some tax collection receipts in the form of cash are not deposited. In addition, the Collector will sometimes hold partial payments in his vault in the name of the taxpayer and not deposit them until paid in full. Overpayments are held in the vault to be applied to future taxes.

2) The County Collector has two change funds that are not maintained at a constant amount.

3) The County Collector occasionally cashes personal checks. As a result, the composition of receipts does not always agree to the composition of deposits.

4) The County Collector occasionally makes refunds for overpayments by cash or money order, and does not maintain adequate documentation to support these disbursements. Cash refunds should not be made and refunds by money order should have adequate supporting documentation.

To adequately safeguard against loss, theft, or misuse of funds, all receipts should be deposited intact daily and all disbursements should be made in the form of a check. Change funds should be maintained at a constant amount and reconciled to the deposit.

C. The County Collector does not adequately keep records of and follow up on overpayments and partial payments maintained in his vault.

As mentioned earlier, the County Collector sometimes does not deposit partial payments and overpayments received in the form of cash, but rather keeps the cash in his vault. We noted a number of payments held in the vault for which the applicable tax statement had been paid in full. We noted a number of other payments held in the vault for which there was an unpaid tax statement on file, but the tax statement did not indicate that a partial payment had been made. The date of payments held in the vault at December 3, 1998, ranged from 1984 (an overpayment of taxes) to November 1998. Individual amounts ranged from less than $1 to approximately $200.

If the collector is going to hold overpayments and partial payments, they should all be deposited into his official bank account and adequate records of the taxpayers and amounts should be maintained. The County Collector should periodically review the payments to either apply to taxes owed or refund to the taxpayer. As mentioned above, various statutory provisions provide for the disposition of unclaimed or unidentified monies.

D. Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation.

The 1997 and 1996 surtax collections were distributed by the County Collector using percentages calculated for distributing the 1985 collections. The County Collector does not recalculate the distribution percentages each year.

Section 139.600, RSMo 1994, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed. Since significant changes have occurred in the subclass 3 commercial property assessed valuation amounts, political subdivisions have not received the proper allocation of surtax collections.

E. The County Collector's annual settlements did not include all activity of his office. The collections and related distributions for late assessment penalties, all collector's commissions, and duplicate tax receipts were not included on the annual settlement.

Section 139.600.3, RSMo 1994, states that "...the collector shall...settle his accounts of all monies received by him on account of taxes and other sources of revenue..." By not accurately reporting all sources of revenues, the County Collector's annual settlement is incomplete and the County Commission cannot properly examine or approve it.

Similar conditions were noted in our prior two reports.

WE AGAIN RECOMMEND the County Collector:

A. Perform complete monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.

B.1. Deposit all monies received, including partial payments. For any overpayments of current taxes, the excess should be refunded by check when received and not held for future use.

2. Maintain the change funds at constant amounts.

3. Discontinue the practice of cashing personal checks.

4. Discontinue the practice of making cash refunds for overpayments. In addition, the County Collector should maintain adequate supporting documentation for refunds made by money order indicating the purpose of the disbursement.

C. Maintain adequate records of and follow up on partial payments and overpayments. These records should include the name of the taxpayer making the payment, the date of the payment, the amount paid, which tax year the payment was made for, and the date the payment was applied.

D. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation for subclass 3 commercial property of each political subdivision as required by state law.

E. File complete and accurate annual settlements.

AUDITEE'S RESPONSE

The County Collector indicated:

A. The unidentified monies in the account are probably extra monies collected for bad checks, fees, or small overpayments that never were turned over to the county. He will attempt to implement this recommendation.

B,D, &E. He will try to implement these recommendations.

C. He is now depositing these and trying not to hold cash. He will try to disburse these monies and will try to keep records of these transactions.

9. Vehicle Records

The county has purchased several vehicles for the road and bridge department and pays for the maintenance, insurance, and fuel expenses for these vehicles. During our review of county-owned vehicles, we noted the following concerns:

A. The road and bridge department does not maintain vehicle logs which document how the vehicles are used. Without adequate vehicle logs, the county cannot effectively monitor that vehicles are used for official business only. These logs should identify the employee the vehicle is assigned to, the dates used, miles driven, destination, and purpose of the trips.

B. Fuel and oil usage is not reconciled to fuel and oil purchased. To reduce the risk of loss, misuse, or theft, fuel and oil usage should be reconciled to fuel and oil purchased, and significant differences should be investigated.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

A. Require vehicle logs be maintained for all county vehicles. In addition, they should review these logs to monitor the usage of county owned vehicles.

B. Reconcile fuel and oil usage to fuel and oil purchased and investigate significant differences.

AUDITEE'S RESPONSE

A&B. The County Commission indicated they will discuss these recommendations with the Road and Bridge Supervisor and try to develop these records.

10. Assessor's Accounting Controls and Procedures

The County Assessor's office collects money for maps, plat books, copies and postage. During our review of the Assessor's accounting controls and procedures, we noted the following areas of concern:

A. Receipts are not transmitted to the County Treasurer intact and the amount of monies transmitted does not always agree to the monies indicated as received per the Assessor's receipt slips. No reconciliation of receipt slips to the amount and composition of monies transmitted to the County Treasurer is performed. The Assessor is unable to perform such comparisons because receipt slips are not issued for all monies received, receipt slips do not always indicate the method of payment, receipt slips are written for amounts due and not actually collected until a later date, personal checks are cashed and the change fund is not maintained at a constant amount.

The Assessor's office prepares a report that documents the amount and composition of receipts turned over to the County Treasurer. This record agrees to the receipt slips received from the County Treasurer; however, it did not always agree to the total amount or composition of the Assessor's receipt slips. The following differences were noted between Assessor's receipt slips and amounts transmitted to the Treasurer for the two years ended December 31, 1998.

	Year ending December 31,					
	1998			1997		
	Cash	Check	Total	Cash	Check	Total
Recorded receipts	$ 1,352	998	2,350	1,060	957	2,017
Unrecorded receipts	0	543	543	0	168	168
Amounts turned over to County Treasurer	(1,054)	(1,541)	(2,595)	(950)	(1,125)	(2,075)
Unaccounted for receipts	$ 298	0	298	110	0	110

To adequately account for all monies receipted and transmitted, and to lessen the possibility of loss or misuse of funds, monies transmitted should be reconciled to the Assessor's office prenumbered receipt slips. All payments made to the Assessor's office are accountable fees and should be remitted to the county treasury.

B. The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, all employees of the Assessor's office perform these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly segregated. At a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted to the County Treasurer.

C. Checks are not restrictively endorsed until after they are turned over to the County Treasurer. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

D. The Assessor's office periodically bills companies for maps and copies. No reconciliation is performed between the amount billed and the amount collected. When a bill is prepared, a receipt slip is completed and marked "amount due". When the monies are received, the Assessor's office indicates on the original receipt slip when the amount was paid; however, we noted several receipt slips that did not indicate whether the amount had been paid.

E. Voided receipt slips are not retained. To account for the numerical sequence of all receipt slips, voided receipt slips should be retained.

F. The County Assessor's office does not maintain inventory records accounting for plat books or maps. To ensure all monies collected are accounted for adequately, the County Assessor should reconcile the number of plat books and maps on hand to the total number of plat books and maps sold or given away. Any differences should be investigated.

WE RECOMMEND the County Assessor:

A. Ensure all receipts are transmitted to the County Treasurer and reconcile the amount and composition of monies transmitted to receipt slips. The County Assessor should ensure that receipt slips are issued for all monies received, the method of payment is indicated on all receipt slips, receipt slips are issued only for monies actually received, the change fund is maintained at a constant amount, and personal checks are not cashed. In addition, the County Commission should review this situation and decide if further investigation is warranted to determine the extent of monies not accounted for.

B. Adequately segregate duties among available employees and/or establish a documented review of the accounting records by an independent person.

C. Restrictively endorse checks immediately upon receipt.

D. Reconcile amounts billed to amounts received and follow up on billings not paid. In addition, receipt slips should be written when monies are received instead of when billed.

E. Retain all voided receipt slips.

F. Maintain records of the number of plat books and maps sold, given away, or used by the county, and periodically reconcile the number of plat books and maps reported on the inventory to the number of plat books and maps on hand.

AUDITEE'S RESPONSE

The Assessor indicated:

A-F. She has implemented or will implement all of these recommendations.

The County Commission indicated:

A. They will review the situation. The County Clerk will take over the collection of this money.

11. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney's office collects bad check restitutions and fees. Our review of the Prosecuting Attorney's procedures revealed the following:

A. The Prosecuting Attorney's office collects fees for processing bad checks. In 1997, the Prosecuting Attorney discontinued turning bad check fees over to the County Treasurer and currently serves as custodian of the Bad Check Fees Fund, although there is no statutory authority to allow this. Section 570.120, RSMo 1994, requires the bad check fees to be maintained by the County Treasurer.

B. The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the secretary performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly segregated. At a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

C. Bad check fees and restitutions are not deposited in a timely manner. Monies were deposited approximately ten times in 1998 and averaged approximately $2,500. In addition, money orders are not restrictively endorsed immediately upon receipt. To adequately safeguard monies and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100 and money orders should be restrictively endorsed immediately upon receipt.

D. Monthly bank reconciliations are not performed and a running checkbook balance is not maintained. Accurate and complete bank reconciliations are necessary to ensure that all monies are properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected on a timely basis. In addition, a running balance should be maintained in the checkbook to allow for proper reconciliations with the bank statements.

E. The Prosecuting Attorney does not file a monthly report of bad check fees collected. Section 50.370, RSMo 1994, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

Conditions similar to C and D were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Turn over custody of the Bad Check Fees Fund to the County Treasurer, as required by state law.

B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

C. Deposit monies daily or when accumulated receipts exceed $100 and restrictively endorse money orders immediately upon receipt.

D. Maintain a checkbook balance and prepare complete and accurate bank reconciliations.

E. File monthly reports of fees with the County Commission as required by state law.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

A&E. These recommendations have been implemented.

B. He agrees with this recommendation, however, he does not have the staff to do this.

C. He will try to make deposits at least weekly.

D. He has obtained a new computer program and this recommendation will be implemented.

12. Madison County Council For Developmentally Disabled Accounting Controls and Procedures

A. We noted the following concerns during our review of the Madison County Council for Developmentally Disabled (MCCDD) billings to other agencies:

1. The MCCDD receives reimbursements under the Job Training Partnership Act (JTPA) from the East Missouri Action Agency (EMAA). The EMAA reimburses the MCCDD for one-half the gross wages for JTPA participants. During our

review, we noted reimbursement requests submitted to the EMAA that were incorrect. Time sheets filled out and signed by the MCCDD employee indicated she worked and was paid for less than forty hours per week; however, the MCCDD requested reimbursement as if the employee worked forty hours per week for the whole month.

The reimbursement requests for December 1997, April 1998, and May 1998 resulted in a total of $422 being paid to the MCCDD in excess of what the time sheets supported.

2. The MCCDD participates in the Missouri Elderly and Handicapped Transportation Assistance Program (MEHTAP) through the Missouri Highway and Transportation Department (MoDOT). MoDOT reimburses the MCCDD for actual eligible operating expenses incurred for the project upon receipt of itemized report forms. The amount requested for reimbursement is calculated by totaling all the MCCDD transportation expenses and deducting transportation funding received from other sources. During our review of the itemized report forms, we noted revenues were understated and expenditures were overstated in order to receive grant funds. For the months April 1998 and December 1997, it appears that actual transportation revenues exceeded transportation expenses and the MCCDD should not have received grant funds.

In addition, the Department of Mental Health (DMH), Office of Audit Services, conducted a billing review for the period July 1, 1997 to June 30, 1998 and noted $3,424 was overpaid from Medicaid. As similarly discussed in A.1., the DMH auditors reported a total of $1,110 was overpaid to the MCCDD from EMAA for the period July 1, 1997 to June 30, 1998. The DMH review also noted total overbillings of $764 to MoDOT for the MEHTAP program for the period July 1, 1997 to June 30, 1998, as similarly discussed in A.2.

Adequate supporting documentation should be maintained for all services provided and compared to billings for such services.

B. The MCCDD is not paying overtime at time-and-a-half in accordance with their employee manual, rather, overtime is paid at straight-time. The FLSA requires that all covered employees working overtime are entitled to time and one-half in wages or in compensatory time.

C. Summary records are not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated. While the employee time sheets indicate if hours paid were compensatory, annual, or sick leave hours, a written leave record indicating the number of hours accrued, leave time taken, and the balance of leave hours remaining is not maintained. Accurate records of leave and compensatory time are necessary to ensure

compliance with the FLSA and to ensure employees are properly compensated for their time.

D. The MCCDD paid Christmas bonuses of $100 each for supervisors and $50 each for other employees under the title "unscheduled hours" in December of 1998 and 1997. These amounts totaled $1,050 and $850 in 1998 and 1997, respectively. Similar bonuses were also paid in previous years. The bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

E. The MCCDD board did not solicit or advertise for bids for some purchases. Items for which bids were not advertised or obtained include a computer system ($9,382) and driveway construction ($13,548).

Section 50.660, RSMo Cumulative Supp. 1998, requires advertisement of bids for all purchases of $4,500 or more.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence that the county's established purchasing procedures as well as statutory requirements are followed.

F. The MCCDD fixed asset records do not always include complete and accurate information. The historical cost, acquisition date, and property control number were not always identified. Additionally, fixed asset purchases are not always recorded as they occur, and the MCCDD does not reconcile general fixed asset purchases to additions to the property records. A summary schedule of changes in fixed assets should be prepared annually and reconciled to beginning and ending balances to ensure all assets are recorded.

Adequate general fixed asset records and procedures are necessary to secure better internal control over the MCCDD property and provide a basis for determining proper insurance coverage of property.

G. The MCCDD board does not properly include all cash on hand at January 1 on their annual budgets. The 1998 budget document included only the checking account and not any savings accounts. The board was unable to provide documentation on what the 1997 beginning cash balance per the budget represented.

The MCCDD budget should include accurate financial information to ensure it is properly presented and to increase the effectiveness of the budgets as management tools.

WE RECOMMEND the Madison County Council for Developmentally Disabled Board:

A. Develop and implement procedures to ensure services are adequately documented and billed correctly. In addition, the board should contact the applicable state agencies to resolve the over billings.

B. Pay overtime in accordance with the employee manual and FLSA requirements.

C. Require summary records be maintained of vacation, sick leave, and overtime earned, used, and accumulated.

D. Ensure disbursements are a necessary and prudent use of public funds.

E. Solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the circumstances should be documented.

F. Maintain complete and accurate general fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances. In addition, additions of fixed assets should be recorded as they occur and fixed asset purchases should be reconciled to additions to the property records.

G. Include all cash on hand at January 1 on their annual budget.

AUDITEE'S RESPONSE

A. Upon becoming aware of this issue, the MCCDD has now reimbursed East Missouri Action Agency in full. The MCCDD has also previously agreed to reimburse Medicaid and other agencies for overpayment amounts. The Board of Directors will ensure that these payments are made. In addition, the administrative staff has actively implemented a procedure of retaining in MCCDD's files, a record of supporting documentation (i.e., timesheets, transportation records) with the billing statements sent to the agencies.

B. The Board of Directors will ensure that the Fair Labor Standards Act (FLSA) requirements are complied with in terms of paying overtime in wages or compensatory time. To the extent any employees qualify under the FLSA as an employee providing "companionship services," overtime will not be paid. The administrative staff has received a book from the Department of Labor providing rules and regulations pertaining to companionship services and the payment of overtime. We will implement procedures consistent with the FLSA

requirements. Employees, such as administrative staff, who do not provide "companion services" as defined by the FLSA, will receive overtime compensation based on one and a half times compensatory time.

C. We agree with this recommendation and have devised a form to utilize in tracking such time.

D. We agree with this recommendation and will take necessary steps to follow the recommendation. For example, the MCCDD now retains a detailed transaction report documenting the disbursement. The Board will continue to monitor future disbursements.

E. We agree with this recommendation and will ensure that records are maintained on bids provided for purchases of $4,500 or more.

F. We agree with this recommendation and have implemented procedures to improve our record-keeping in this regard. For example, we have compiled a detailed list of all fixed assets, which include a photograph of the asset, written description of the asset, and the serial number of the asset. A record is also kept of all new purchases of fixed assets. Copies of these records are retained both in the Board's safety deposit box and in the office.

G. We agree with this recommendation and will follow it.

This report is intended for the information of the management of Madison County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MADISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Madison County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 6.B. is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Financial Condition

   The General Revenue Fund was experiencing a declining cash balance.

   Recommendation:

   The County Commission take the necessary steps to improve the financial condition of the county.

   Status:

   Not implemented. See MAR No. 1.

2. Budget and Financial Statement Procedures

   A. Formal budgets were not prepared for various county funds.

   B. Actual disbursements exceeded budgeted amounts in various funds.

   C. County budget documents contained several errors and misclassifications.

   D. The financial statements published by the County Clerk did not contain all necessary information.

   Recommendation:

   The County Commission:

   A. Ensure financial information for all special revenue funds is included in the overall annual budget and that budgets are prepared for all funds.

   B. And the Health Center Board refrain from authorizing warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, the original budget should be formally amended.

   C. And the County Clerk ensure all significant receipts and disbursements are accurately and consistently reported in the county budget documents and published financial

statements. Separate budgets should be prepared when necessary. In addition, the County Clerk should properly prepare the cash reconciliation portion of the budget document.

D. Ensure the county's published financial statements are accurate and complete.

Status:

A,B, &D. Not implemented. See MAR No. 2.

C. Partially implemented. See MAR No. 2.

3. County Expenditures

A. The county did not prepare IRS Form 1099-MISC informational returns.

B.1. Adequate supporting documentation was not available for certain expenses claimed for reimbursements of travel expenses.

2. Several instances were noted where evidence of receipt of goods was not documented on supporting invoices. In addition, instances were noted where individual receipts accompanying the monthly invoice for fuel were not always signed by the purchasing employee or the identity of the vehicle fueled was not recorded.

Recommendation:

The County Commission:

A. Prepare IRS Forms 1099-MISC when required.

B.1. Require adequate supporting documentation for all reimbursements.

2. Ensure all invoices contain an indication of receipt of goods or services and fuel receipts contain the signature of the employee and indication of the vehicle fueled.

Status:

A. Partially implemented. The county prepared IRS Form 1099-MISC informational returns for several applicable individuals; however, we noted an individual that did not receive one. See MAR No. 3.

B.1. Partially implemented. We noted a few instances where adequate supporting documentation was not available for reimbursements of travel expenses. Although not repeated in the current report, our recommendation remains as stated above.

2. Not implemented. See MAR No. 3.

4. Construction of New Jail Facility

A. Preliminary design proposals for the jail were not documented.
B. Reasons for an increase in the contract price from the original estimated price were not documented. The guaranteed maximum price exceeded the original estimated total cost by $214,159.

Recommendation:

The County Commission:

A. Properly solicit and document proposals for professional services.

B. Refrain from making changes that substantially add to new projects. Substantial changes should be rebid and all changes should be adequately documented.

Status:

A. The county has not entered into any professional services agreements.

B. The county has not had any new projects.

5. Property Tax System and Computer Controls

A. A change report, which reflects changes to tax records, was not generated.

B. The county did not have a formal contingency plan for the computer system.

C. The county did not have all program documentation prepared by the contract computer programmer.

D. Passwords used by the Assessor's office and the Collector's office were not changed on a periodic basis. In addition, passwords were assigned to each workstation instead of to individual users.

E. The County Clerk did not maintain a complete account book with the County Collector.

Recommendation:

A. The County Commission consider generating periodic change reports. In addition, the County Commission should ensure that the change reports are received by the proper personnel and all changes are promptly reviewed and any unusual items are investigated.

B. The County Commission seek arrangements of alternate data processing equipment for use during emergency situations.

C. The County Commission obtain an agreement with the county's computer programmer which specifies the county's rights regarding program documentation.

D. The County Commission ensure employee passwords are assigned to individual employees and periodically changed.

E. The County Clerk maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

Status:

A,B, &E. Not implemented. See MAR No. 7.

C. Implemented.

D. Partially implemented. Passwords are periodically changed, however, passwords are assigned to each workstation instead of to the individual users. Although not repeated in the current report, our recommendation remains as stated above.

6. Federal Financial Assistance

A. The county did not have a drug-free workplace policy or awareness programs sufficient to comply with the requirements of the Drug-Free Workplace Act.

Recommendation:

The County Commission establish a written drug-free workplace policy and applicable drug-free awareness programs to ensure compliance with the Drug-Free Workplace Act. The Drug-Free Workplace policy and programs should be adequately communicated to all county employees who perform functions associated with federal funds.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

7. Personnel and Payroll Policies and Procedures

A. Time sheets were not prepared by salaried employees.

B. Records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

C.1. Several employees from various offices with access to money were not covered by an employee bond.

2. The bond given by the County Treasurer as custodian of school funds was less than the amount required by state law.

3. When the Assessor took office in October 1995, a bond was not obtained and filed as required by Section 53.040, RSMo 1994.

D. The County Treasurer's salary was incorrectly calculated.

E. Instances were noted in which sheriff's deputies worked additional hours for which the payments were not subjected to payroll withholdings, were not reported on the W-2 forms, and were not reported as overtime.

Recommendation:

The County Commission:

A. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.

B. Require records be maintained by the County Clerk's office of vacation, sick leave, and overtime earned, used, and accumulated.

C.1. Consider obtaining adequate bond coverage for all employees with access to monies.

2. And the County Treasurer take the necessary actions to bring the County Treasurer's bond as custodian of school funds into compliance with Section 54.160, RSMo 1994.

3. Require the County Assessor to obtain a bond as required by state law.

D. Review the Treasurer's salary for the years ended December 31, 1996 and 1995 and make any necessary adjustments.

E. Along with the County Clerk and Sheriff ensure all hours worked are properly reported to the county and all salary payments are subject to payroll withholdings and any overtime requirements, and are reported on W-2 forms.

Status:

A.C.2, &3. Implemented.

B& C.1. Not implemented. See MAR No. 4.

D. Implemented. The County Treasurer was paid the $382 owed in 1997.

E. Not implemented. See MAR No. 4.

8. General Fixed Asset Records and Procedures

A. Fixed assets purchases were not recorded in the general fixed asset records on a timely basis.

B.1. Vehicle logs which document how county vehicles were used were not maintained.

2. Fuel and oil usage was not reconciled to fuel and oil purchased.

Recommendation:

A. The County Clerk establish procedures to ensure fixed asset purchases are properly recorded on the general fixed asset records on a timely basis. Procedures could include spot checking or otherwise verifying inventory information provided by the various offices and periodically reconciling general fixed asset purchases to the general fixed asset additions.

B.1. The County Commission require vehicle logs be maintained for all county vehicles. In addition, they should review these logs to monitor the usage of county owned vehicles.

2. The County Commission reconcile fuel and oil usage to fuel and oil purchased and investigate the significant difference.

Status:

A. Implemented.

B.1. Partially implemented. The Sheriff and his deputies maintain vehicle logs which document how the vehicles are used, however, the road and bridge department does not maintain vehicle logs. See MAR No. 9.

B.2. Not implemented. See MAR No. 9.

9. Assessment Fund

The County Collector did not adjust the amounts withheld from school tax collections to fund assessment maintenance due to Proposition C. Estimated revenue not withheld from school tax collections for the months of December totaled $2,100. An additional $22,900 was also noted in our prior audit.

Recommendation:

The County Collector adjust the amounts withheld from school tax collections to take into consideration the effects of Proposition C and withhold the appropriate portion for assessment purposes as provided by statute.

Status:

Not implemented. See MAR No. 6.

10. County Collector's Controls and Procedures

A. The County Collector did not perform adequate reconciliations of his records. The Collector's account had $5,114 of unidentified funds at February 28, 1997.

B.1. The County Collector did not deposit merchant licenses and duplicate tax receipts daily. In addition, no documentation was retained to indicate the number of duplicate tax receipts issued.

2. The County Collector's change fund was not maintained on an imprest basis.

3. The County Collector did not deposit all cash received for tax collections. Overpayments and partial payments were held in the vault.

C. The County Collector did not adequately keep records of and follow up on overpayments and partial payments maintained in his bank account and in his vault.

D. A review of commissions withheld by the County Collector and paid to General Revenue disclosed various errors. The County Collector did not withhold commissions for Proposition C.

E. The County Collector did not distribute interest earned on bank deposits properly.

F. The County Collector's annual settlements did not include all activity of his office. The collections and related distributions for late assessment fees and tax sale surplus were not included on the annual settlements.

Recommendation:

The County Collector:

A. Perform monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.

B.1. Deposit all monies received intact on a daily basis. In addition, the County Collector should maintain a record of all duplicate tax receipts issued and reconcile this record to collections.

2. Maintain the change fund on an imprest basis and deposit all receipts intact.

3. Deposit all monies received including partial payments and overpayments.

C. Maintain adequate records of and follow up on overpayments and partial payments.

D. The County Collector recalculate commissions for the audit period and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with the statutes.

E. Allocate interest based on tax collections and in accordance with state statutes and Attorney General's Opinions.

F. File complete and accurate annual settlements.

Status:

A-F. Not implemented. See MAR No. 8.

11. Public Administrator

A. The Associate Circuit Division had not established adequate monitoring procedures to ensure settlements were filed timely.

B. The Public Administrator did not have a written agreement for trailer rent payments to his brother, nor was documentation of the details of this transaction maintained in the case file.

C. Supporting documentation for canceled checks was not filed with the Public Administrator's annual settlements.

D. The Public Administrator did not submit adequate documentation for the time on which he based his fee.

Recommendation:

The Associate Circuit Division Judge:

A. Establish procedures to adequately monitor the timely filing of annual settlements.

B. Require the Public Administrator enter into written agreements for all services obtained for the wards. In addition, all potential conflicts of interest should be clearly documented and discussed with the Associate Circuit Division Judge prior to entering into such agreements.

C. Require adequate documentation to be filed or made available to support all settlement transactions. Any requests for documentation should be documented.

D. Require the Public Administrator develop written guidelines that define amounts on which fees are to be paid. These guidelines should be approved by the Associate Circuit Judge. Written documentation of fee calculations should be prepared for the court's review and approval.

Status:

A&D. Implemented.

B. We did not note any involvement in providing services for the wards by the current Public Administrator.

C. Implemented. Invoices supporting disbursements are not normally filed with annual settlements; however, they are available for the Associate Circuit Judge upon request.

12. Prosecuting Attorney's Accounting Controls and Procedures

A.1. Bad check fees and restitutions were not deposited in a timely manner.

2. Money orders were not restrictively endorsed immediately upon receipt.

3. Monthly bank reconciliations were not performed for the bad check account.

B. The Prosecuting Attorney maintained a payroll bank account that was discontinued in 1993 but had a $1,870 unidentified balance at December 31, 1996.

Recommendations:

The Prosecuting Attorney:

A.1. Deposit monies daily or when accumulated receipts exceed $100.

2. Restrictively endorse money orders immediately upon receipt.

3. Prepare monthly bank reconciliations.

B. Pay the $1,870 remaining in the payroll account to the county General Revenue Fund.

Status:

A. Not implemented. See MAR No. 11.

B. Implemented.

13. Banking Procedures

At December 31, 1996, the County Treasurer maintained nineteen interest bearing checking accounts, and one passbook savings account.

Recommendation:

The County Treasurer reduce the number of bank accounts maintained by the county.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

14. Sheriff's Controls and Procedures

A. The Sheriff's office did not maintain records to account for traffic tickets issued or assigned. Furthermore, no record was maintained indicating the ultimate disposition of all traffic tickets issued.

B. Accounting duties were not adequately segregated.

Recommendation:

The Sheriff:

A. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.

B. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits and the bank reconciliations.

Status:

A&B. Implemented.

15. Circuit Clerk's Controls and Procedures

The monthly listing of open items prepared for the fee account included cases back to 1980.

Recommendation:

The Circuit Clerk review the older cases with the Circuit Judge and determine the appropriate disposition of inactive cases.

Status:

Implemented.

16. Associate Bonds

The open-items listing included some bonds that date back to 1992.

Recommendation:

The Associate Circuit Division Judge establish procedures to follow up and properly dispose of open items in a timely manner, including forfeiting bonds to the county schools fund and turning over unclaimed bonds to the state's Unclaimed Property Section, as applicable.

Status:

Implemented.

17. Ex Officio Recorder of Deeds' Controls and Procedures

The fee book did not always indicate the correct method of payment received.

Recommendation:

The Ex Officio Recorder of Deeds indicate the correct method of payment on the fee book, and reconcile the composition of receipts per the fee book to the composition of monies deposited.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MADISON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1818, the county of Madison was named after President James Madison. Madison County is a county-organized, third-class county and is part of the Twenty-fourth Judicial Circuit. The county seat is Fredericktown.

Madison County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Madison County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 243,604	13	322,389	21
Sales taxes	321,366	17	335,550	22
Federal and state aid	676,897	36	475,943	31
Fees, interest, and other	648,077	34	411,398	26
Total	$ 1,889,944	100	1,545,280	100

The following chart shows how Madison County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 619,108	34	558,911	36
Public safety	502,688	27	441,910	29
Highways and roads	730,821	39	550,292	35
Total	$ 1,852,617	100	1,551,113	100

The county received $462,596 and $445,038 for the Capital Improvement Fund for the years ended December 31, 1998 and 1997, respectively, to be used for construction of a new jail facility.

::
The county maintains approximately 47 county bridges and 272 miles of county roads.

The county's population was 9,366 in 1970 and 11,127 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 41.9	41.4	31.9	14.8	9.6
Personal property	17.1	16.2	8.1	4.7	3.0
Railroad and utilities	10.5	10.6	10.4	10.6	5.8
Total	$ 69.5	68.2	50.4	30.1	18.4

* First year of statewide reassessment.
** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Madison County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .18	.08
Special Road and Bridge Fund*	.27	.27
Health Center Fund	.10	.09
Madison County Council for the Developmentally Disabled Board Fund	.18	.16

* The county retains all tax proceeds from areas not within road districts. The county has two road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.
::

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 22,228	21,296
General Revenue	146,286	83,911
Special Road and Bridge	203,028	194,455
Assessment	34,638	30,240
Health Center	73,472	64,940
Madison County Council for the Developmentally Disabled Board	132,656	115,406
School districts	2,141,747	2,026,019
Library district	73,472	64,938
Hospital	133,030	115,868
Colleges	318,348	303,714
Cities	40,801	40,679

County Clerk		639	1,346
County Employees' Retirement		20,018	21,445
Commissions and fees:			
General Revenue Fund		43,828	47,595
Total	$	3,384,191	3,131,852

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	91.8 %	89.5 %
Personal property	87.2	86.8
Railroad and utilities	100.0	100.0

Madison County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50
Capital improvements		.0050	1999	None

::

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Bob Mooney, Presiding Commissioner	$		14,450	14,450
Don Myers, Associate Commissioner			14,450	14,450
Terry Hovis, Associate Commissioner			14,450	14,450
Joan Whitener, County Clerk			24,225	24,225
Dwight Robbins, Prosecuting Attorney			28,050	28,050
David Lewis, Sheriff			28,900	28,900
Kay Rehkop, County Treasurer *			15,980	16,362
Charles C. Follis, County Coroner			5,100	5,100
Ken Pate, Public Administrator **			5,899	5,374
Danny Thompson, County Collector**, year ended February 28,		23,588	23,588	
Gracie Thomas, County Assessor***, year ended August 31, 1998			29,800	0
Gary Barnes, County Assessor ***, year ended August 31, 1997			0	25,300
Douglas McFarland, County Surveyor ****			0	0

* 1997 includes $382 in payments related to prior years' salary underpayments.
** Includes fees received from probate cases.
*** Includes $900 annual compensation received from the state.
**** Compensation on a fee basis.

State-Paid Officials:			
Kay Bradford, Circuit Clerk and Ex Officio Recorder of Deeds	42,183	40,176	

Daniel Stillwell, Associate Circuit Judge	24,959	0
Don U. Elrod, Associate Circuit Judge	54,673	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk and Ex Officio Recorder of Deeds	0	2
County Clerk	2 *	0
Prosecuting Attorney	1	0
Sheriff	20 **	0
County Collector	3	0
County Assessor	3	0
Associate Division	0	2
Road and Bridge	8	0
Health Center	9 ***	0
Madison County Council for Developmentally Disabled	20 ****	0
Total	66	4

* Includes one part-time employee.
** Includes three part-time employees.
*** Includes two part-time employees.
**** Includes five part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Madison County's share of the Twenty-fourth Judicial Circuit's expenses is 11.54 percent.

AUDIT REPORT

RALLS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-68
August 31, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ralls, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Ralls County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< Ralls County's General Revenue Fund is experiencing a declining cash balance. The cash balance has basically decreased from $193,572 at January 1, 1997 to $4,229 at December 1998. The audit suggested the county review expenditures and reduce discretionary costs.

< As similarly noted in the prior two reports, the approved budget documents still do not adequately project the anticipated financial condition of the Special Road and Bridge Fund. The County Commission indicated that, to plan for unforeseen emergencies and to avoid overspending the approved budget, they budget to spend all beginning cash available plus all estimated receipts for the year. The audit indicated such a practice results in the loss of the budget as a management tool and control over disbursements. The audit also questioned the county's procedures for calculating administrative fees charged to the Special Road and Bridge Fund.

< The county directly paid 911 Fund costs totaling $70,333, and authorized operating transfers of $6,052, from the Special Road and Bridge fund. The county indicated that 911 employees do some work for the Road and Bridge department but maintained no documentation supporting the amounts charged. As state law and the Missouri Constitution restrict the use of the Special Road and Bridge Fund, the audit recommended the county review such practices with legal counsel.

(over)

< The county's documentation of bidding procedures needs improvement. The county verbally had reasons for some actions but had not documented such things including why higher bids were sometimes accepted.

Also included in the audit are recommendations regarding expenditures of county funds, personnel policies, and general fixed asset procedures. The audit also suggested an adequate segregation of duties or independent oversight in the Circuit Clerks' Child Support Office, the Associate Circuit Clerk's Office, and the Sheriff's Office.

Copies of the audit are available upon request.

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ralls County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ralls County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ralls County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

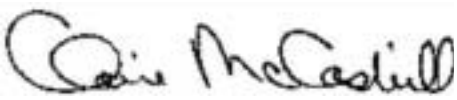
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Ralls County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 8, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ralls County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 8, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ralls County, Missouri

We have audited the special-purpose financial statements of various funds of Ralls County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ralls County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ralls County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Ralls County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Claire McCaskill
State Auditor

April 8, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	102,942	1,092,702	1,191,415	4,229
Special Road and Bridge		480,602	1,099,316	1,231,711	348,207
Assessment		2,305	151,125	159,432	-6,002
Law Enforcement Training		850	5,296	5,435	711
Prosecuting Attorney Training		8,741	1,207	500	9,448
Prosecuting Attorney Administration		524	1,308	1,200	632
Prosecuting Attorney Delinquent Tax		3,016	165	925	2,256
Domestic Violence		245	445	417	273
Drug Enforcement		10,828	105,337	114,068	2,097
Recorder's User Fee		14,961	5,390	6,476	13,875
911		145,682	97,243	240,959	1,966
Health Center		146,712	863,050	772,707	237,055
Circuit Division Interest		4,124	2,027	624	5,527
Associate Circuit Division Interest		1,287	767	0	2,054
Total	$	922,819	3,425,378	3,725,869	622,328

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	115,169	1,159,388	1,171,615	102,942
Special Road and Bridge		840,380	1,168,031	1,527,809	480,602
Assessment		11,849	142,685	152,229	2,305
Law Enforcement Training		750	3,317	3,217	850
Prosecuting Attorney Training		8,338	1,459	1,056	8,741
Prosecuting Attorney Administration		148	1,476	1,100	524
Prosecuting Attorney Delinquent Tax		2,691	325	0	3,016
Domestic Violence		1,033	485	1,273	245
Drug Enforcement		14,154	198,920	202,246	10,828
Recorder's User Fee		16,978	4,983	7,000	14,961
911		17,208	196,822	68,348	145,682
Health Center		133,362	992,453	979,103	146,712
Circuit Division Interest		5,034	3,415	4,325	4,124
Associate Circuit Division Interest		593	694	0	1,287
Circuit Clerk Special		1,029	2	1,031	0
Total	$	1,168,716	3,874,455	4,120,352	922,819

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 212,686	202,135	-10,551	158,639	171,996	13,357
Sales taxes	542,000	522,714	-19,286	584,000	541,022	-42,978
Intergovernmental	93,100	82,720	-10,380	69,200	84,627	15,427
Charges for services	176,820	172,135	-4,685	182,200	169,506	-12,694
Interest	6,000	5,398	-602	5,000	5,047	47
Other	31,600	41,184	9,584	43,300	52,496	9,196
Transfers in	46,683	66,416	19,733	31,029	134,694	103,665
Total Receipts	1,108,889	1,092,702	#VALUE!	1,073,368	1,159,388	#VALUE!
DISBURSEMENTS						
County Commission	56,750	55,425	1,325	52,050	50,355	1,695
County Clerk	62,408	57,883	4,525	62,450	60,754	1,696
Elections	57,620	52,738	4,882	46,000	27,338	18,662
Buildings and grounds	73,315	42,261	31,054	72,662	64,129	8,533
Employee fringe benefits	173,421	157,006	16,415	154,000	148,893	5,107
County Treasurer	21,158	20,001	1,157	21,237	20,049	1,188
County Collector	66,166	60,008	6,158	64,316	58,182	6,134
Circuit Clerk	40,202	39,353	849	38,300	35,370	2,930
Associate Circuit	10,700	11,101	-401	11,000	12,220	-1,220
Court administration	7,196	9,582	-2,386	8,557	7,686	871
Public Administrator	16,925	16,986	-61	13,775	16,613	-2,838
Sheriff	333,572	382,699	-49,127	332,709	406,179	-73,470
Prosecuting Attorney	66,621	62,006	4,615	65,733	59,523	6,210
Juvenile Officer	53,250	48,340	4,910	54,433	49,218	5,215
County Coroner	14,750	6,765	7,985	14,750	8,896	5,854
Planning & zoning	21,262	20,287	975	21,392	20,389	1,003
University Extension Service	35,130	35,130	0	34,372	34,372	0
Prosecuting Attorney retirement	4,500	4,500	0	0	2,333	-2,333
Public health and welfare services	1,100	495	605	600	665	-65
Local Emergency Planning Committee	2,500	2,500	0	0	2,500	-2,500
Other general county government	51,500	54,564	-3,064	58,000	45,951	12,049
Transfers out	41,785	51,785	-10,000	30,000	40,000	-10,000
Emergency Fund	33,267	0	33,267	32,201	0	32,201
Total Disbursements	1,245,098	1,191,415	53,683	1,188,537	1,171,615	16,922
RECEIPTS OVER (UNDER) DISBURSEMENTS	-136,209	-98,713	#VALUE!	-115,169	-12,227	#VALUE!
CASH, January 1	102,942	102,942	0	115,169	115,169	0
CASH, December 31	$ -33,267	4,229	#VALUE!	0	102,942	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 269,184	281,064	11,880	245,265	261,531	16,266
Sales taxes	100,000	106,749	6,749	118,000	108,202	-9,798
Intergovernmental	669,200	648,350	-20,850	649,680	729,239	79,559
Interest	35,000	24,475	-10,525	30,000	33,182	3,182
Other	25,100	38,678	13,578	1,000	35,877	34,877
Total Receipts	1,098,484	1,099,316	832	1,043,945	1,168,031	124,086
DISBURSEMENTS						
Salaries	260,000	231,262	28,738	228,000	240,707	-12,707
Employee fringe benefits	132,496	88,932	43,564	120,000	93,957	26,043
Supplies	155,000	117,353	37,647	143,000	131,373	11,627
Insurance	30,000	24,323	5,677	30,000	19,508	10,492
Road and bridge materials	474,000	337,280	136,720	630,000	401,295	228,705
Equipment repairs	50,000	52,129	-2,129	60,000	42,365	17,635
Rentals	1,000	83	917	3,000	1,161	1,839
Equipment purchases	225,000	198,362	26,638	360,325	249,870	110,455
Construction, repair, and maintenance	150,000	117,552	32,448	200,000	223,071	-23,071
Other	24,000	4,162	19,838	70,000	3,524	66,476
Transfers out	77,590	60,273	17,317	40,000	120,978	-80,978
Total Disbursements	1,579,086	1,231,711	347,375	1,884,325	1,527,809	356,516
RECEIPTS OVER (UNDER) DISBURSEMENTS	-480,602	-132,395	348,207	-840,380	-359,778	480,602
CASH, JANUARY 1	480,602	480,602	0	840,380	840,380	0
CASH, DECEMBER 31	$ 0	348,207	348,207	0	480,602	480,602

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 113,000	96,100	-16,900	105,500	96,425	-9,075
Charges for services	1,500	1,020	-480	1,500	1,518	18
Interest	1,000	168	-832	300	483	183
Other	4,000	2,052	-1,948	3,000	4,259	1,259
Transfers in	41,785	51,785	10,000	30,000	40,000	10,000
Total Receipts	161,285	151,125	-10,160	140,300	142,685	2,385
DISBURSEMENTS						
Assessor	163,590	159,432	4,158	151,670	152,229	-559
Total Disbursements	163,590	159,432	4,158	151,670	152,229	-559
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,305	-8,307	-6,002	-11,370	-9,544	1,826
CASH, JANUARY 1	2,305	2,305	0	11,849	11,849	0
CASH, DECEMBER 31	$ 0	-6,002	-6,002	479	2,305	1,826

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,400	5,240	1,840	2,500	3,283	783
Interest	100	56	-44	20	34	14
Total Receipts	3,500	5,296	1,796	2,520	3,317	797
DISBURSEMENTS						
Sheriff	3,000	5,435	-2,435	3,270	3,217	53
Total Disbursements	3,000	5,435	-2,435	3,270	3,217	53
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	-139	-639	-750	100	850
CASH, JANUARY 1	850	850	0	750	750	0
CASH, DECEMBER 31	$ 1,350	711	-639	0	850	850

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,000	928	-72	1,400	1,218	-182
Interest	200	279	79	200	241	41
Total Receipts	1,200	1,207	7	1,600	1,459	-141
DISBURSEMENTS						
Prosecuting Attorney	1,650	500	1,150	2,500	1,056	1,444
Total Disbursements	1,650	500	1,150	2,500	1,056	1,444
RECEIPTS OVER (UNDER) DISBURSEMENTS	-450	707	1,157	-900	403	1,303
CASH, JANUARY 1	8,741	8,741	0	8,338	8,338	0
CASH, DECEMBER 31	$ 8,291	9,448	1,157	7,438	8,741	1,303

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY ADMINISTRATION

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	1,150	1,285	135
Interest		50	23	-27
Total Receipts		1,200	1,308	108
DISBURSEMENTS				
Prosecuting Attorney		1,200	1,200	0
Total Disbursements		1,200	1,200	0
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	108	108
CASH, JANUARY 1		524	524	0
CASH, DECEMBER 31	$	524	632	108

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 50	87	37
Other	250	78	-172
Total Receipts	300	165	-135
DISBURSEMENTS			
Other Expenditures	3,000	925	2,075
Total Disbursements	3,000	925	2,075
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,700	-760	1,940
CASH, JANUARY 1	3,016	3,016	0
CASH, DECEMBER 31	$ 316	2,256	1,940

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 475	440	-35
Interest	25	5	-20
Total Receipts	500	445	-55
DISBURSEMENTS			
Contracted Services	500	417	83
Total Disbursements	500	417	83
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	28	28
CASH, JANUARY 1	245	245	0
CASH, DECEMBER 31	$ 245	273	28

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ENFORCEMENT

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 0	100,731	100,731
Charges for services	9,000	4,306	-4,694
Interest	0	300	300
Total Receipts	9,000	105,337	96,337
DISBURSEMENTS			
Drug Task Force	13,300	112,385	-99,085
Transfers out	1,683	1,683	0
Total Disbursements	14,983	114,068	-99,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,983	-8,731	-2,748
CASH, JANUARY 1	10,828	10,828	0
CASH, DECEMBER 31	$ 4,845	2,097	-2,748

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,500	4,902	402	0	4,560	4,560
Interest	500	488	-12	300	423	123
Total Receipts	5,000	5,390	390	300	4,983	4,683
DISBURSEMENTS						
Recorder	5,000	6,476	-1,476	7,000	7,000	0
Total Disbursements	5,000	6,476	-1,476	7,000	7,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-1,086	-1,086	-6,700	-2,017	4,683
CASH, JANUARY 1	14,961	14,961	0	16,978	16,978	0
CASH, DECEMBER 31	$ 14,961	13,875	-1,086	10,278	14,961	4,683

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
E911 phone tax	$ 86,913	88,420	1,507	80,000	82,264	2,264
Interest	800	2,823	2,023	300	506	206
Loan proceeds	0	0	0	0	114,000	114,000
Transfers in	32,590	6,000	-26,590	18,000	52	-17,948
Total Receipts	120,303	97,243	-23,060	98,300	196,822	98,522
DISBURSEMENTS						
Salaries	44,524	38,838	5,686	0	0	0
Fringe benefits	13,700	10,912	2,788	0	0	0
Office expenses	4,500	7,076	-2,576	4,800	3,174	1,626
Equipment	131,200	31,606	99,594	4,000	2,080	1,920
Rural address/mapping	15,000	8,945	6,055	58,420	60,607	-2,187
Lease purchase payments	27,743	27,743	0	0	0	0
Network	22,718	110,860	-88,142	0	0	0
Other	6,600	4,979	1,621	3,000	2,487	513
Total Disbursements	265,985	240,959	25,026	70,220	68,348	1,872
RECEIPTS OVER (UNDER) DISBURSEMENTS	-145,682	-143,716	1,966	28,080	128,474	100,394
CASH, JANUARY 1	145,682	145,682	0	17,208	17,208	0
CASH, DECEMBER 31	$ 0	1,966	1,966	45,288	145,682	100,394

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 98,000	102,592	4,592	98,000	98,306	306
Intergovernmental	186,500	211,886	25,386	206,000	201,506	-4,494
Charges for services	580,500	519,048	-61,452	693,000	676,491	-16,509
Interest	5,500	8,356	2,856	6,000	6,042	42
Other	7,500	21,168	13,668	6,500	10,108	3,608
Total Receipts	878,000	863,050	-14,950	1,009,500	992,453	-17,047
DISBURSEMENTS						
Salaries	500,000	474,396	25,604	600,000	598,258	1,742
Fringe benefits	125,000	111,601	13,399	141,000	139,956	1,044
Office expenditures	75,300	50,216	25,084	75,000	74,097	903
Equipment	0	5,649	-5,649	20,000	15,690	4,310
Mileage and training	54,000	36,517	17,483	65,000	54,808	10,192
Program expenditures	75,000	55,321	19,679	81,000	74,126	6,874
Building expenses	25,000	23,487	1,513	25,000	22,168	2,832
Other	2,500	15,520	-13,020	2,500	0	2,500
Total Disbursements	856,800	772,707	84,093	1,009,500	979,103	30,397
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,200	90,343	69,143	0	13,350	13,350
CASH, JANUARY 1	150,490	146,712	-3,778	136,695	133,362	-3,333
CASH, DECEMBER 31	$ 171,690	237,055	65,365	136,695	146,712	10,017

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Administration Fund	1997
Prosecuting Attorney Delinquent Tax Fund	1997
Domestic Violence Fund	1997
Drug Enforcement Fund	1997
Circuit Clerk Special Fund	1997
Circuit Division Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Assessment Fund	1997
Law Enforcement Training Fund	1998
Drug Enforcement Fund	1998
Recorder's User Fee Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1998. However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	1998 and 1997
Circuit Division Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a surety bond.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depository insurance or by collateral securities held by the Board's custodial bank in the Board's name. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $156,064 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $79,726. As of December 31, 1998, $29,902 remains to be paid.

Supplementary Schedule

Schedule

RALLS COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program			
	for Women, Infants, and Children	ERO045-7187	$ 0	12,629
		ERO045-8187	11,255	4,322
		ERO045-9187	3,031	0
	Program Total		14,286	16,951
	U.S. DEPARTMENT OF DEFENSE			
	Direct Program:			
12.unknown	Contract for Law Enforcement Services	DDACW 43095-H0040	27,628	33,033
	Passed through state:			
	Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	14,154	15,561
	Department of Public Safety -			
12.unknown	Donation of Federal Surplus Property	N/A	2,956	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's			
	Program	93-DR-048	680	0
		96-MO-04	0	46,881
	Program Total		680	46,881
	U.S. DEPARTMENT OF INTERIOR			
15.unknown	Historic Preservation Fund Grant	29-96111000-420	0	8,000
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state:			
	Department of Public Safety -			
16.6	Byrne Formula Grant Program	96-NCD2-054	0	94,934
		97-NCD2-045	100,731	93,836
	Program Total		100,731	188,770
	U. S. DEPARTMENT OF TRANSPORTATION			

	Passed through state Highway and				
	Transportation Commission -				
20.2	Off-System Bridge Replacement and				
	Rehabilitation Program	BRO-87(10)	0	51,159
		BRO-87(11)	0	169,378
		BRO-87(12)	109,507	973
	Program Total		109,507	221,510
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	PG0064-8187IAP	2,860	2,613
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	1,313	1,351
::				
	Department of Health -			
	Child Care and Development Block Grant -			
93.6	Nursing Consultation to Child Care Facilities	ERO146-7187	0	864
		ERO146-8187CCNC	3,839	110
		ERO146-9187CCH & SCS	748	0
	Program Total		4,587	974
93.6	Local Sanitation Inspection of Child Care Facilities	PG0067-8187	245	0
		PG0067-9187	665	0
	Program Total		910	0
93.9	Cooperative Agreements for State-Based			
	Comprehensive Breast and Cervical Cancer			
	Early Detection Programs	ERO161-0015	335	444
	Preventive Health and Health Services Block Grant -			
94.0	Health Educator	AOC700098	0	19,425
		AOC8000075	0	8,223
		AOC9000119	19,277	0
	Program Total		19,277	27,648
94.0	Cancer Coalition-Teens Against Tobacco Use	C700631001	0	3,509
		C803594001	1,000	100
		C901303001	784	0
	Program Total		1,784	3,609
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO146-7187	0	10,531
		ERO146-8187MCH	12,640	1,779
		ERO146-9187MCH	2,403	0
	Program Total		15,043	12,310
94.0	Family Planning	ERO175-7187FP	0	1,297
		ERO175-8187FP	2,139	759

		ERO175-9187FP	449	0
	Program Total		2,588	2,056
94.0	Teen Leader/Postponing Sexual Involvement	ERO175-7187	0	1,918
		ERO146-8009-8187PSI	1,305	748
	Program Total		1,305	2,666
	Total Expenditures of Federal Awards		$ 319,944	584,377

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

RALLS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ralls County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property Program (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $100,731 and $188,770 to a subrecipient under the Byrne Formula Grant Program (CFDA number 16.579) during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ralls County, Missouri

Compliance

We have audited the compliance of Ralls County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Ralls County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

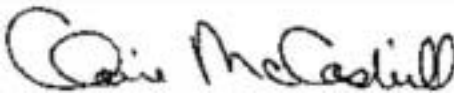
Internal Control Over Compliance

The management of Ralls County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Ralls County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 8, 1999 (fieldwork completion date)

Schedule

RALLS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 and 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	__X__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__X__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	__X__ no
Reportable condition identified that is not considered to be a material weaknesses?	__X__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__X__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
16.579	Byrne Formula Grant Program
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A
and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-1.	**Federal Awards**

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity: Not applicable
Identifying Number: BRO 087(12)
Award Year: 1998
Questioned Costs: Not applicable

During the two years ended December 31, 1998, the county received reimbursements from the Missouri Department of Transportation for bridge replacement and rehabilitation expenditures under the Highway Planning and Construction Program - Off System Projects. The county normally pays such expenditures as the liability is incurred and prior to the reimbursement. However, we noted one reimbursement totaling $44,578 which the county held 46 days before the related payment was made to the contractor.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that federal funds shall be disbursed by the county within two days of receipt.

WE RECOMMEND the County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree. The exception noted was due to oversight when we misplaced an invoice for a while. Since it is already our policy to pay such costs before requesting reimbursement from federal

monies, we do not believe any specific corrective action is needed. We will ensure federal monies are disbursed in a timely manner.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RALLS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RALLS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

4. Federal Financial Assistance

Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 16.579
Program Title: Byrne Formula Grant Program
Pass-Through Entity
Identifying Number: 96-NCD2-054, 95-NCD2-0060, and 95-NCD2-0051
Award Year: 1996 and 1995
Questioned Cost: $38,516

Ralls County was the grant recipient for a federal Drug Control and Systems Improvement Formula Grant, passed through the state Department of Public Safety (DPS). Ralls County in turn passed the funds on to the Northeast Missouri (NEMO) Drug Task Force. The County Commission approved reimbursement requests from the NEMO Drug Task Force, however, it did not receive or review documentation supporting Task Force expenditures. Also the County Commission did not ensure the NEMO Task Force obtained an audit. The DPS performed a review and questioned costs totaling $38,516.

Recommendation:

The County Commission adequately review supporting documentation for all expenditures prior to approving reimbursement requests and ensure subrecipients of federal financial assistance comply with federal regulations, including obtaining an annual audit when necessary. In addition, the County Commission should contact the Missouri Department of Public Safety to resolve this issue.

Status:

Partially implemented. We have resolved this issue with the Missouri Department of Public Safety who required NEMO to repay $14,000. Although we did not require an annual audit and supporting documentation for expenditures, effective July 1, 1998 Ralls County no longer serves as the pass-through entity for this program.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

RALLS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Ralls County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 8, 1999. We also have audited the compliance of Ralls County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 8, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Ralls County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Financial Condition

Ralls County's General Revenue Fund is experiencing a declining cash balance. The following shows receipts, disbursements, and ending cash balances for the two years ended December 31, 1998:

Cash Balance, January 1, 1997	$ 115,169
Receipts	1,159,388
Disbursements	1,171,615
Cash Balance, December 31, 1997	102,942
Receipts	1,092,702
Disbursements	1,191,415
Cash Balance, December 31, 1998	$ 4,229

Due to a misallocation of 1996 sales tax monies into the Special Road and Bridge Fund rather than the General Revenue Fund, which was corrected in 1997, the 1997 receipts amount reflected above is inflated by $78,403. The beginning cash balance at January 1, 1997 is understated by the same amount. Therefore, the cash balance actually decreased from $193,572 at January 1, 1997 to $4,229 at December 31, 1998. In addition, the 1999 budget for the General Revenue Fund has budgeted receipts of $1,149,293, budgeted disbursements of $1,327,020, and budgeted ending cash balance of ($173,498) at December 31, 1999.

In addition to the projected negative cash balance at December 31, 1999, the General Revenue Fund owes approximately $52,667 to the Special Road and Bridge Fund due to administrative transfers which were in excess of the amounts authorized by law, as noted in MAR No. 4.

Contributing to the weak financial condition has been little growth in revenues coupled with increasing costs, most notably expenses for boarding of prisoners which have increased from approximately $36,000 in 1996 to approximately $102,000 in 1998. In addition, salaries of county officials are budgeted to increase approximately $66,000 in 1999.

The County Commission should review expenditures and reduce discretionary amounts as much as possible.

WE RECOMMEND the County Commission take the necessary steps to improve the financial condition of General Revenue Fund.

AUDITEE'S RESPONSE

We agree. We do continually monitor the financial condition of the county and have also begun meeting monthly with all the county officials to discuss the status of the budget. We may need to look into raising additional taxes, cutting services, or possibly both.

2. Budgetary Practices

Our review of the county budgets disclosed the following concerns:

A. As similarly noted in the prior two reports, the approved budget documents did not adequately project the anticipated financial condition of the Special Road and Bridge Fund for the two years ended December 31, 1998. The following are estimated cash balances as compared to actual cash balances at December 31, 1998 and 1997:

Year Ended	Cash Balance	
December 31,	Budget	Actual
1998	$ 0	$348,207
1997	0	480,602

The County Commission indicated that, to plan for unforeseen emergencies and to avoid overspending the approved budget, they budget to spend all beginning cash available plus all estimated receipts for the year. The practice of overestimating expected disbursements to reflect an unreasonable cash balance results in the loss of the use of the budget as a management planning tool and as a control over disbursements. If there are valid reasons which necessitate unforeseen expenditures, budget amendments could be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office prior to incurring the expenditures.

For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operations and current financial position, the budgets should accurately reflect resources on hand, reasonable estimates of receipts and disbursements, and the anticipated ending cash balances.

B. Disbursements exceeded budget amounts in various funds during the two years ended December 31, 1998, as follows:

Fund	Year Ended December 31, 1998	1997
Assessment	0	$ 559
Law Enforcement Training	$ 2,435	0
Drug Enforcement	99,085	0
Recorder's User Fees	1,476	0

The county failed to include activity related to a federal grant in its Drug Enforcement Fund budget for 1998.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that county officials are required to strictly comply with county budget laws. If there are valid reasons which necessitate excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the County Commission:

A. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that a reasonable estimate of the county's financial position is presented.

B. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended and filed per state law.

AUDITEE'S RESPONSE

A&B. We agree.

3. Controls Over County Expenditures

A. Bids were not always solicited nor was bid documentation always retained by the County Clerk for various purchases made by the county during the audit period. The County Clerk and County Commission indicated bids are sometimes solicited through telephone calls or other direct contacts with vendors; however, documentation of these contacts was not maintained or recorded in the County Commission minutes.

1) The following are examples of items purchased during the two years ended December 31, 1998, without bid documentation:

Item	Cost
Tractor	$48,250
Gravel	46,270
Asphalt	26,972
Road equipment	26,335
Boom-Mower	24,220
Dodge Pickup	17,273
Calcium	16,660
Fuel	6,768
Computers	5,008

The County Clerk indicated the tractor and the boom-mower were chosen because the county wanted to lease the equipment; the gravel is purchased from the nearest provider to the work sites and the asphalt and calcium are purchased from sole source providers. The County Clerk did not have reasons for lack of documentation of bids for the Dodge pickup, nor for fuel and computers beyond wanting to support local businesses. However, documentation for selection was not maintained.

2) The county commission minutes did not always document the evaluation of bid proposals and the basis and justification for awarding bids, including the reasons low bids were not accepted. The following are examples of items purchased where the low bid was not accepted and the evaluation of the bid was not documented:

Item	Cost
Road Grader	$84,153
Radio Equipment	52,332

While no information was documented regarding the evaluation of bid proposals or the basis and justification for awarding the contract to the vendor selected, the County Clerk indicated the road grader, purchased for $10,000 more than the low bid, was chosen based on brand preference. Also, the radio equipment purchased was $15,772 more than the low bid which the County Clerk indicated did not meet bid specifications.

Section 50.660, RSMo Cumm Supp 1998, increased the bid requirement to any purchase in the amount of $4,500 or more made from any one person, firm or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value

by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding.

B. The Prosecuting Attorney submits a letter to the County Clerk's office to obtain reimbursement for various expenses. However, adequate supporting documentation such as invoices, timesheets, or itemized expense reports was not always required to be submitted to the County Commission for various expenses such as mileage, equipment, office expenses, major case expenses, training expenses, and professional services. Without adequate supporting documentation, the County Commission cannot determine the validity and propriety of the expenditures. Excluding regular salary costs, expenses of the Prosecuting Attorney's office totaled $5,325 and $5,836 for the years ended December 31, 1998 and 1997 respectively from various funds. While the county did include the Prosecuting Attorney's unsupported expenses totaling $5,836 on a 1099 form for 1997, only professional services totaling $1,200 were included on the 1099 form for 1998.

C. The Ralls County Commission authorized operating transfers of $6,052 from the Special Road and Bridge Fund to the 911 Fund and proposed a transfer for 1999 of $50,000. In addition, the following 911 costs were paid directly from the Special Road and Bridge Fund during the audit period:

Item	Cost
Radio Equipment	$47,158
911 Coordinator's Salary for 1997	14,455
Mapping Services	6,410
Radio Tower License	2,310

State law and the Missouri Constitution restrict the use of the Special Road and Bridge Fund to road and bridge purposes. The county had no documentation supporting the use of Special Road and Bridge funds for this purpose. The County Commission indicated that the 911 employees do dispatching and mapping for the road and bridge department, as well as working on signs, however there was no documentation supporting the amount charged to Special Road and Bridge in relation to the work done.

D. The county employs Planning and Zoning legal counsel at a monthly salary of $1,087. These expenditures were not supported by time sheets or other records documenting work performed. Additionally, no agreement exists documenting the

services to be performed and compensation paid. Without adequate supporting documentation and a formal agreement, the County Commission cannot determine the validity and propriety of the expenditures.

Similar conditions were noted in prior reports.

WE AGAIN RECOMMEND the County Commission:

A. Solicit bids for all purchases in accordance with state law, and maintain documentation of bids solicited and justification for bids awarded. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.

B. Require adequate supporting documentation prior to approving expenditures for payment. In addition, all unsupported payments to the Prosecuting Attorney should be included on his W-2 or 1099 form.

C. Review this situation with the county's legal counsel to determine whether transferring Special Road and Bridge funds to the 911 is a proper road and bridge expense. If these expenditures are determined to not be appropriate, these monies should be paid back to the Special Road and Bridge Fund. In addition, charges from 911 to the Special Road and Bridge Fund for work performed should be supported by documentation indicating the number of hours worked or number of dispatch calls received, as well as a per unit amount charged for those services.

D. Obtain a formal agreement documenting the services to be provided by the Planning and Zoning legal counsel and require adequate supporting documentation of time worked and services performed prior to approving payment.

AUDITEE'S RESPONSE

A. We agree and will also try to document these items in the minutes better.

B&C. We agree.

D. We agree and have already asked for this information.

4. Special Road and Bridge Fund Administrative Service Fee

Section 50.515, RSMo 1994, authorizes the County Commission to impose an administrative service fee on the Special Road and Bridge Fund. The purpose of this fee is to recoup actual expenditures made from the General Revenue Fund for road and bridge related administrative expenses. The fee is limited to a maximum of three percent of the budget of the Special Road and Bridge Fund.

Budgeted expenditures, upon which the county calculated the transfer amount, significantly exceeded actual expenditures of the Special Road and Bridge Fund during the year ended December 31, 1998. As a result, actual transfers were $9,723 in excess of 3 percent of actual expenditures for that year.

In addition, as noted in the prior report, $42,944 was due from the General Revenue Fund to the Special Road and Bridge Fund for prior accumulated excess administrative transfers. This amount was not repaid. At December 31, 1998, $52,667 in excess administrative transfers is due from the General Revenue Fund to the Special Road and Bridge Fund.

WE AGAIN RECOMMEND the County Commission base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of $52,667 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

We agree and will review this situation further regarding the accumulated excess transfers.

5. Personnel Policies and Procedures

A. Currently, county officials are properly bonded as required by statute; however, other county-paid employees who handle monies are not covered by any employee bond. Properly bonding all persons with access to monies would better protect the officials and county from risk of loss.

B. Although the County Commission has adopted a county wide leave policy for all county employees, many employees take leave at the discretion of each respective elected official. Centralized accumulated vacation leave, sick leave and compensatory time records are not maintained by the County Clerk. In addition, most of the elected officials or supervisors do not maintain records of vacation leave, sick leave, and compensatory time for their employees.

Without centralized leave records, the County Commission cannot ensure that employees' vacation leave, sick leave, and compensatory time balances are accurate and that all employees are treated equitably. Centralized leave records also aid in determining final compensation for employees leaving county employment and in documenting compliance with the Fair Labor Standards Act.

WE RECOMMEND the County Commission:

A. Obtain adequate bond coverage for all employees with access to monies.

B. Require the County Clerk to maintain centralized leave records for all county employees.

AUDITEE'S RESPONSE

A. We will take this recommendation under advisement.

B. We agree and will attempt to implement this recommendation.

6. County Clerk's Controls and Procedures

A. The County Clerk does not maintain adequate records of fixed assets. Records consist primarily of files of information on county cars and road and bridge equipment. A listing of all county-owned assets, including a description, the purchase price, date of acquisition, location, and identification number is not maintained. Section 51.155, RSMo Cum Supp. 1998, requires that fixed assets with an original value of $250 or more be recorded in the fixed asset records.

This condition was also noted in our prior report.

B. The county does not have formal procedures for disposing of county owned property. No written authorization for disposal is obtained from the County Commission. In addition, complete information is not recorded regarding the disposition of assets.

Written authorization for the disposal of property and documentation of the date and method of disposition are necessary to lessen the possibility of misuse and to provide adequate support for changes to the fixed asset records.

C. The County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records and annual inventories of fixed assets are not performed.

Section 50.155, RSMo 1998, Cum. Supp., requires the County Clerk to perform annual inventories of county property, buildings, and equipment. In addition, performing reconciliations of equipment purchased would help ensure all purchases have been properly added to the fixed asset records.

D. Property tags are not placed upon fixed asset items. Property control tags should be affixed to all fixed asset items to help improve accountability over these items and help ensure that assets are not lost or stolen.

Adequate fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property. Inventories of county property are necessary

to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

E. The County Clerk neither prepares nor verifies the tax books. Both the current and back tax books are generated from the computer by the County Collector. State law requires the county clerk to prepare the tax books, and charge the collector with those taxes. Failure of the County Clerk to verify tax books could result in errors or intentional misstatements going undetected.

This condition was also noted in our prior report.

WE RECOMMEND the County Clerk:

A. Maintain adequate fixed asset records with a detailed description of each item to include the purchase price, date of acquisition, location, and identification number.

B. And the County Commission establish a formal method of disposing of fixed assets. At a minimum, written authorization for all property dispositions should be obtained and the date and method of disposition should be recorded on the fixed asset records.

C. Perform an annual inventory of the county's fixed assets and periodically reconcile fixed asset purchases to additions on the fixed asset records.

D. Identify all fixed assets with a number, tag, or similar identifying device.

E. Verify the tax books generated by the County Collector's office.

AUDITEE'S RESPONSE

A-E. I agree.

7.	**Segregation of Duties**

During our review of accounting policies and procedures, we noted accounting duties in the following areas are not adequately segregated:

A. In the Circuit Clerk's office, for child support activities, one clerk receives monies, records cash receipts and disbursements, writes checks, prepares and makes deposits, receives bank statements, and performs bank reconciliations.

B. The Associate Circuit Clerk receives monies, records receipts and disbursements, prepares and makes deposits, and performs month-end reconciliations.

C. The Sheriff's bookkeeper receives monies, records receipts and disbursements, writes checks, prepares and makes deposits, receives bank statements, performs month-end reconciliations, and prepares monthly fee reports.

There is no documentation that the employees' supervisors or other personnel independent of these functions reconcile or review the work performed by these employees. To adequately safeguard assets, the cash custody and record keeping functions should be segregated where possible. If the functions cannot be segregated, timely supervisory review of work performed and investigation into unusual items and variances is necessary and should be documented.

WE RECOMMEND the Circuit Clerk, Associate Division, and the Sheriff provide for adequate segregation of duties or the performance of independent reconciliations and reviews of accounting records.

AUDITEE'S RESPONSE

The Circuit Clerk responded: I agree and will document my review of the deputy clerk's work.

The Associate Judge responded: We have a bookkeeping system that works very well, and I trust my clerks to handle all monies paid through this court. I have access to all files and records, and the clerks know that at any time I can pull any file and review both record and bookkeeping entries. We will keep your recommendations in mind.

The Sheriff responded: I agree and have already started documenting my review of my bookkeeper's work.

This report is intended for the information of the management of Ralls County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

RALLS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up action taken by Ralls County, Missouri, on findings made in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 4 is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices

   A. The approved budget documents did not adequately project the anticipated financial condition of the Special Road and Bridge Fund for the three years ended December 31, 1996, 1995, and 1994.

   B. The County Commission approved budgeted deficits of $25,252 and $66,558 for the General Revenue Fund for the years ended December 31, 1995 and 1994, respectively.

   C. Formal budgets were not prepared and filed with the State Auditor's office for a number of county funds for the years ended December 31, 1996, 1995 and 1994.

   Recommendation:

   The County Commission:

   A. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that a reasonable estimate of the county's financial position is presented.

   B. Discontinue deficit budgeting.

   C. Ensure a budget is prepared or obtained for all county funds. The County Clerk should file all budgets with the State Auditor's office.

   Status:

   A. Not implemented. See MAR 2.A.

   B. Implemented. A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1998. However, the budget for that fund included other resources available sufficient to offset the deficit budget balance presented.

C. Partially implemented. The number of unbudgeted funds decreased significantly from the prior audit. For year ending December 31, 1998 the only funds not budgeted were the Circuit Division Interest Fund and the Associate Circuit Division Interest Fund, both of which are held by other officials. Although not repeated in the current report, our recommendation remains as stated above.

2. Controls Over County Expenditures

A. Bids were not always solicited nor was bid documentation always retained by the County Clerk for various purchases made by the county during the audit period.

B. The County Assessor contracted for map maintenance services with a corporation whose president was the County Surveyor. The county did not follow bidding procedures to obtain this service.

C. Adequate supporting documentation was not always required for reimbursement claims submitted by the Prosecuting Attorney for various expenses.

D. The Sheriff and deputies were not required to submit invoices or an itemized expense report to support uniform allowances paid to them, nor were the uniform allowances reported on W-2 forms.

E. Numerous expenditures from the Law Enforcement Training (LET) Fund appeared inappropriate.

F. The Ralls County Commission authorized the 911 coordinator's salary to be paid in part from the 911 Fund and in part from the Special Road and Bridge Fund and retained no documentation supporting the use of Special Road and Bridge funds for that purpose.

G. Expenditures of $1,000 per month for Planning and Zoning legal counsel were not supported by time sheets or other records documenting work performed.

Recommendation:

The County Commission:

A. Solicit bids for purchases in accordance with state law and maintain documentation of all bids obtained. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.

B. Bid professional services in the future. The County Commission should consult with the Prosecuting Attorney regarding any conflict of interest.

C. Require adequate supporting documentation prior to approving expenditures for payment. In addition, the unsupported payments to the Prosecuting Attorney should be included on his W-2 form.

D. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.

E. Ensure all expenditures of the LET Fund meet the requirements of chapter 590, RSMo 1994. In addition, $13,882 should be transferred from the General Revenue Fund to the Law Enforcement Training Fund.

F. Review this situation with the county's legal counsel and ensure paying a portion of the 911 coordinator's salary from the Special Road and Bridge Fund is a proper road and bridge expense. The amount of time paid from each fund should be supported by time sheets which document the activities performed.

G. Obtain a formal agreement documenting the services to be provided by the Planning and Zoning legal counsel and require adequate supporting documentation of time worked and services performed prior to approving payment.

Status:

A. Not implemented. See MAR 3.A.

B. Not implemented. The County Commission did not consult with the Prosecuting Attorney on this issue. They are still under the same contract as noted in the prior audit for map maintenance service, however they indicated their intentions on bidding this service when the contract expires. Expenditures for this contract were $14,297 and $12,112 for 1998 and 1997, respectively. Although not repeated in the current report, our recommendation remains as stated above.

C. Partially implemented. Although the county still did not obtain adequate supporting documentation for Prosecuting Attorney expenditures, the county issued a 1099 to the Prosecuting Attorney for some of the unsubstantiated expenditures. See MAR 3.B.

D. Implemented. These payments are now included as part of the gross wages on the employees' W-2 forms.

E. Partially implemented. Although we noted no questionable expenditures paid from the LET Fund during the audit period, the county did not transfer the $13,882 from the General Revenue Fund to the LET Fund. Although not repeated in the current report, our recommendation remains as stated above.

F. Not implemented. See MAR 3.C.

G. Not implemented. See MAR 3.D.

3. Special Road and Bridge Fund Administrative Service Fee

The administrative transfer was substantially more than three percent of reasonable budgeted expenditures during the years ended December 31, 1995 and 1994. At December 31, 1996, $42,944 was due from the General Revenue Fund to the Special Road and Bridge Fund for excess administrative fee transfers.

Recommendation:

The County Commission base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of $42,944 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

Status:

Not implemented. See MAR 4.

5. Collector's Proposition C Calculations

A. The Collector used an incorrect unadjusted tax levy when computing the 1995 Proposition C ratio for the Hannibal 60 School District, resulting in monies being improperly withheld from the school district, $938 and $642 were due from the General Revenue Fund and the Assessment Fund, respectively, to the school district.

B. The Collector incorrectly calculated the average school levy when computing commissions and Assessments Fund withholdings on state assessed railroad and utility taxes, resulting in $2,910 being improperly withheld from the taxes due to the school districts.

Recommendation:

The Collector ensure future Proposition C commissions are computed correctly. In addition, the Collector should:

A. Withhold commissions of $938 from the General Revenue Fund and $642 from the Assessment Fund to be distributed to the Hannibal 60 School District.

B. Withhold $2,910 from future commissions and Assessment Fund withholdings on state assessed railroad and utility taxes, and include that amount in taxes to be distributed to the school districts.

Status:

A&B. Implemented.

6. Associate Circuit Division Procedures

Receipts were not deposited intact, nor on a timely basis.

Recommendation:

The Associate Circuit Division Judge ensure receipts are deposited intact daily or when accumulated receipts exceed $100.

Status:

Not implemented. Receipts were deposited approximately two to three times a week. Although not repeated in the current report, our recommendation remains as stated above.

7. County Clerk's Controls and Procedures

A. The County Clerk neither prepared nor verified the tax books.

B. The County Clerk did not maintain adequate records of fixed assets and did not add assets purchased to the county's insurance policy on a timely basis.

C. The County Clerk was a license fee agent for the Missouri Department of Revenue and operated the fee office from his office in the courthouse. Through an oral agreement, the County Clerk paid the county monthly rent of $75 and also paid 40 percent of the salary of one of his deputies. No documentation existed to document the adequacy of the monthly rental amount or salary allocation of the deputy.

Recommendation:

The County Clerk:

A. Verify the tax books generated by the County Collector's office.

B. Maintain adequate records of fixed assets and ensure assets purchased are added to the county's insurance policy on a timely basis.

C. Prepare documentation of the adequacy of rental payments and salary allocations.

Status:

A. Not implemented. See MAR 6.E.

B. Not implemented. See MAR 6.A.

C. Not implemented. The County Clerk raised the monthly rental payments to $100 and the salary allocation of one of his deputies to 45%. However, no documentation was prepared to support the adequacy of the increased amounts. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RALLS COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1820, the county of Ralls was named after Daniel Ralls, one of the first representatives to the state legislature. Ralls County is a county-organized, third-class county and is part of the Tenth Judicial Circuit. The county seat is New London.

Ralls County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Ralls County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 483,199	22	433,527	18
Sales taxes	629,463	29	649,224	28
Federal and state aid	731,070	33	813,866	35
Fees, interest, and other	348,286	16	430,802	19
Total	$ 2,192,018	100	2,327,419	100

The following chart shows how Ralls County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 691,605	28	647,799	24
Public safety	499,810	21	523,816	19
Highways and roads	1,231,711	51	1,527,809	57
Total	$ 2,423,126	100	2,699,424	100

The county maintains approximately 56 county bridges and 435 miles of county roads.
::

The county's population was 7,764 in 1970 and 8,476 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 66.2	64.2	51.3	27.4	15.1
Personal property	25.9	21.8	9.9	5.1	2.7
Railroad and utilities	17.9	17.4	13.7	10.6	7.9
Total	$ 110.0	103.4	74.9	43.1	25.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ralls County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .19	.19
Special Road and Bridge Fund	.27	.27
Health Center Fund	.10	.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		1999	1998
State of Missouri	$	32,311	30,890
General Revenue Fund		204,815	191,682
Special Road and Bridge Fund		288,083	274,311
Assessment Fund		50,428	45,861
Health Center Fund		106,744	101,590
Surtax		186,894	187,113
Schools		3,488,550	3,331,732
Library District		111,441	107,801
Ambulance District		213,545	203,002
Nursing Home		11,002	10,869
Cities		14,447	13,605
County Clerk		114	147
County Employees' Retirement		25,636	23,783
Commissions and fees:			
General Revenue Fund		82,747	74,019
Total	$	4,816,757	4,596,405

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	93.3 %	93.2 %
Personal property	96.2	95.7

Railroad and utilities	98.6	100.0

Ralls County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50 %
General (1/3 law enforcement, 1/3 general revenue, 1/3 road and bridge)		.0050	March 31, 2001	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Lewis Palmer, Presiding Commissioner	$		15,350	14,850
James Thompson, Associate Commissioner			17,835	15,900
Jesse Poage, Associate Commissioner			17,835	15,900
Gaylord Winders, County Clerk			28,950	27,950
John W. Briscoe, Prosecuting Attorney			31,113	30,113
Bernard Berghager, Sheriff			34,000	34,000
Jena Epperson, County Treasurer			18,508	17,988
Woody St. Clair, County Coroner			5,500	5,500
Sheila Foster, Public Administrator *			15,825	15,455
Lucille Shulse, County Collector, year ended February 28,		30,816	30,399	
Donald K. Knight, County Assessor ***, year ended August 31,			38,675	
John C. Briscoe, County Assessor**, year ended August 31				30,550
Robert Vogler, County Surveyor ****				

* Includes fees received from probate cases.
** Includes $900 annual compensation received from the state.
*** Includes $675 annual compensation received from the state.
**** Compensation on a fee basis.

State-Paid Officials:			
Sandra Bangert, Circuit Clerk and Ex Officio Recorder of Deeds		42,183	40,176
Glenn Norton, Associate Circuit Judge		85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State

Circuit Clerk and Ex Officio Recorder of Deeds	2 *	2 *
County Clerk	3 **	0
Prosecuting Attorney	2	0
Sheriff	11 ***	0
County Collector	2 ****	0
County Assessor	5 ****	0
Associate/Probate Division	0	3 ****
Road and Bridge	14 ****	0
Health Center	19 ***	0
911	11 *****	0
Planning and Zoning	2	0
Total	71	5

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Ralls County's share of the Tenth Judicial Circuit's expenses is 18.73 percent.

* Includes one part time employee paid 65% by state and 35% by county

** Includes one employee who works part time for the county and part time for DOR licensing office.

*** Includes three part time employees.

**** Includes one part time employee.

***** Includes eight part time employees.

AUDIT REPORT

CITY OF URICH, MISSOURI

YEAR ENDED SEPTEMBER 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-67
August 31, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to petitioners from the City of Urich, Missouri.

The city does not have formal written bidding policies and procedures and we noted some purchases, totaling approximately $20,000, for which no bid documentation was kept.

Some disbursements were not supported by paid receipts and/or complete invoices. In addition, the board did not document its review and approval of disbursements and the city did not enter into a written contract for legal services. A written contract signed by the parties involved, should specify the goods or services to be provided and the manner and amount of compensation to be paid.

The Board of Aldermen held several closed meetings during 1997 and 1998; however, minutes of these meetings were not kept. Board minutes did not always include a record of votes taken. In addition, the city did not fill a vacant Alderman's position in accordance with state law.

The city did not publish semi-annual financial statements, submit annual financial reports to the State Auditor's Office, or obtain timely audits of the water and sewer system.

The City Clerk also serves as Treasurer for the city, resulting in duties which are not adequately segregated.

The Urich police department does not maintain adequate records to account for all traffic tickets issued. As a result, the city cannot be assured that all tickets issued were properly submitted to the court for processing.

FACT SHEET

CITY OF URICH, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Urich
Urich, Missouri 64788

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Urich, Missouri. Our audit of the city included, but was not limited to, the year ended September 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

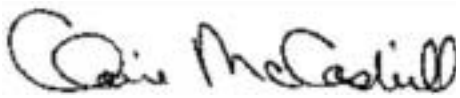
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Urich, Missouri.



Claire McCaskill
State Auditor

April 28, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF URICH, MISSOURI
HISTORY AND ORGANIZATION

The city of Urich is located in Henry County. The city was incorporated in 1885 as a fourth-class city. The population of the city in 1990 was 498.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two year term, presides over the Board of Aldermen meetings, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at September 30, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended September 30, 1998
William Grimes, Mayor (1)	April 2000	$ 0
Ray Russell, Alderman (2)	April 1999	220
Harvey Bellis, Alderman	April 2000	40
Gary McRoberts, Alderman	April 2000	20
Melvin Stewart, Alderman (3)	April 1999	120

Other Principal Officials	
Deborah Adams, City Clerk (4)	4,085
Joyce Crump, Deputy City/Utility Clerk	9,289
Mike Klinefelter, Police Chief	18,000
Bill Adams, Police Sergeant	8,906
D. Michael Erwin, Fire Chief	140
Rodney Olson, Public Works Supervisor	21,180

(1) William Grimes resigned in April 1999. Ray Russell was appointed by the Board of Aldermen in April 1999.

(2) Re-elected in April 1999 but then resigned when appointed Mayor. Gary Crump was then appointed by the Board of Aldermen in April 1999.

(3) Ken Stanley resigned in May 1998 and received compensation of $60. Melvin Stewart was appointed by the Board of Aldermen in July 1998. D. Michael Erwin was elected in April 1999.

(4) Replaced Connie Scott who resigned in June 1998.

The city employs approximately eight full and part time employees including those noted above. Assessed valuation and tax rate information for the tax year 1998 is as follows:

ASSESSED VALUATION

Real Estate	$	1,626,885
Personal		701,536
Total	$	2,328,421

TAX RATES PER $100 ASSESSED VALUATION

General Revenue	$	0.94
Parks and Recreation		0.29
Total	$	1.23

The city had the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	$ .010	None
Capital Improvements	.005	2009

A summary of the financial activity for the city of Urich for the year ended September 30, 1998 is presented on the next page.

	Year Ended September 30, 1998			
	General	Water	Sewer	Total
RECEIPTS				
Sales taxes	$ 45,818	0	0	45,818
Motor fuel and motor vehicle fees	19,717	0	0	19,717
Fines	5,881	0	0	5,881
Interest income	12,780	0	0	12,780
Franchise taxes	7,926	0	0	7,926
Property taxes	29,741	0	0	29,741
Water and Sewer fees	0	73,963	39,612	113,575
Other	18,079	0	0	18,079
Total Receipts	139,942	73,963	39,612	253,517
DISBURSEMENTS				
Salaries and fringe benefits	42,201	31,586	21,654	95,441
Utilities	4,622	3,627	723	8,972
Insurance	9,780	2,794	886	13,460
Office supplies	2,240	5,937	1,117	9,294
Equipment	11,816	198	0	12,014
Fuel	4,057	0	0	4,057
Vehicle/equipment maintenance	5,342	0	0	5,342
Building/tower maintenance	6,908	980	210	8,098
Water purchases	0	15,436	0	15,436
Bond payments	0	14,995	14,995	29,990
Capital improvements	14,618	0	0	14,618
Other	14,762	2,973	746	18,481
Total Disbursements	116,346	78,526	40,331	235,203
RECEIPTS OVER (UNDER) DISBURSEMENTS	23,596	-4,563	-719	18,314
CASH AND CASH EQUIVALENTS, OCTOBER 1,	200,985	41,486	56,651	299,122
CASH AND CASH EQUIVALENTS, SEPTEMBER 30,	$ 224,581	36,923	55,932	317,436

MANAGEMENT ADVISORY REPORT

CITY OF URICH, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 9-10)

   The city does not have formal written bidding policies and procedures. Bids were not solicited or bid documentation retained for purchases totaling over $20,000. Adequate documentation was not maintained to support some disbursements, the city did not have formal written agreements for its legal services, and an appraisal was not obtained for a land purchase.

2. Board Meetings and Related Matters (pages 10-12)

   The board minutes were not signed by the Mayor and City Clerk, minutes were not prepared for closed meetings, and the minutes do not always include a record of votes taken. In addition, the minutes did not indicate changes made to the tentative agenda which had been posted. The city did not fill a vacant alderman's position in accordance with state law.

3. Financial Reporting (pages 12-13)

   The city does not publish semi-annual financial statements, submit annual financial reports to the State Auditor's Office, or obtain annual audits.

4. Accounting Controls and Procedures (pages 13-14)

   The Village Clerk also serves as Treasurer for the city resulting in duties which are not adequately segregated. The water and sewer accounts receivable ledger is not balanced monthly.

5. Traffic Violations (page 14)

   Neither the police department nor the court maintains adequate records to account for all traffic tickets issued by the police department.

1. Expenditures

A. The city does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the city did solicit bids for many significant purchases, we noted the following purchases for which no bid documentation was retained:

Truck	$13,000
Fire equipment (used)	1,770
Emergency equipment	3,778
Repair and paint ambulance	2,136

Formal bidding procedures for major purchases would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

B. Supporting documentation was not maintained for purchases of fire prevention training ($400) and electronic police equipment ($550).

All disbursements should be supported by paid receipts and/or complete vendor provided invoices to ensure the obligation was actually incurred and the disbursement was an appropriate use of public funds.

C. Each month, the Board of Aldermen reviews a listing of unpaid bills. However, the board does not sign or initial this listing.

To adequately document the board's review and approval of disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

D. The city has not entered into written contracts for legal services. The city spent $1,035 and $3,688 for legal services during the years ended September 30, 1998, and 1997, respectively without a formal written contract.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the goods or services to be provided and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties.

E. In March 1998 the city purchased a lot in town for $6,500. The city did not obtain an independent appraisal on the purchase of the property. As a result, there is less assurance the price paid for the property was reasonable or represented the fair value of the property.

WE RECOMMEND the Board of Aldermen:

A. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids.

B&C. Ensure supporting documentation is maintained to support all city disbursements, including documentation that all disbursements have been approved by the board.

D. Enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary.

E. Obtain an independent appraisal for any property being considered for purchase.

AUDITEE'S RESPONSE

A-D. We will implement these recommendations.

E. We will take this recommendation under advisement in the future.

2. Board Meetings and Related Matters

A. Board minutes are currently prepared and signed by the City Clerk; however, they are not signed by the Mayor. Prior to September 1998 the minutes were not signed by any city official. The board minutes should be signed by the city clerk and mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

B. The Board of Aldermen held several closed meetings during 1997 and 1998; however, minutes of these meetings were not retained.

Although minutes are not specifically required by law, minutes constitute the record of proceedings of the board. Failure to maintain minutes results in an inadequate record of city transactions, proceedings, and decisions. In addition, minutes help show that the closed discussions or business related to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo 1994.

C. Board minutes do not always include a record of votes taken. In addition, the minutes of the May 1998 meeting indicate the Mayor distributed an agenda other than the tentative agenda which had been posted. However, the minutes did not document what had been changed from the posted agenda, or the reasons why the agenda needed to be changed.

Section 610.020, RSMo 1994, states that "the minutes shall include the date, time, place, members present, members absent, and a record of votes taken" and that tentative agendas be posted at least 24 hours in advance so that the public is apprised of that information. Complete and accurate minutes provide an official record of board actions and decisions.

D. The Mayor did not accept a motion to nominate a person to fill a vacant alderman's position. The Mayor indicated that he had researched the issue and obtained a legal opinion which indicated that only the mayor could nominate a successor when a board member resigns.

Section 79.280, RSMo 1994, states only that "if a vacancy occurs in any elective office, the Mayor shall cause a special meeting of the Board of Alderman to convene where a successor to the vacant office shall be selected."

WE RECOMMEND the Board of Aldermen and Mayor:

A. Ensure board minutes are signed by the City Clerk as preparer and the Mayor to attest to their completeness and accuracy.

B. Ensure minutes are taken of all closed meetings.

C. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes. In addition, any changes to the tentative agenda, and the reason for such changes, should be documented in the minutes.

D. Ensure future vacancies of elected officials are filled in accordance with state law.

AUDITEE'S RESPONSE

A&B. We will implement these recommendations.

C. The board minutes do document votes taken after September 1998. We will continue to document this information.

D. We implemented this recommendation when we filled the vacancies in April 1999. In addition, we adopted an ordinance which is in compliance with state law.

3. Financial Reporting

A. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements. In addition, Section 79.165, RSMo 1994, states the city treasurer cannot legally disburse funds until the financial statement is published.

B. The city did not submit annual financial reports to the State Auditor's Office for fiscal years 1994, 1995, 1996, and 1997. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office. The city did submit an annual financial report for fiscal year 1998.

C. The city has not ensured timely audits of its water and sewer system are performed. The last audit issued on the system covered the year ended September 30, 1995. Section 250.150, RSMo 1994, and the revenue bond covenant require the city to obtain annual audits of the water and sewer system, and the cost of the audits is to be paid from the revenues received from the system.

Besides being required by the bond covenant and state law, timely audits of the water and sewer system would better enable the city to:

1. Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.

2. Determine the propriety and accuracy of its financial transactions.

3. Ensure revenues of the sewer system are adequate to meet the expenses of providing this service.

WE RECOMMEND the Board of Aldermen:

A. Require semi-annual financial statements be prepared and published.

B. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.

C. Ensure annual audits of the waterworks and sewer system are performed in a timely manner.

AUDITEE'S RESPONSE

A. We did prepare and publish a semi-annual financial statement in April 1999.

B. We will continue to submit this annual report.

C. We will implement this recommendation.

4. Accounting Controls and Procedures

A. The Board of Aldermen has not appointed a separate individual to serve as City Treasurer. Presently, the City Clerk also serves as the City Treasurer. Her duties include receiving, recording, and depositing receipts, preparing checks, recording disbursements, and reconciling bank accounts. The board periodically reviews the work performed by the city clerk, however, this review is not documented.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices by the same person at the same time would be incompatible.

Holding both the City Treasurer and City Clerk offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

B. The water and sewer accounts receivable ledger is not balanced monthly. Month-end water and sewer accounts receivable balances are not reconciled to the beginning accounts receivable balance, billings, collections and other adjustments for that month. A reconciliation of receivables with billings, collections and other adjustments should be performed or reviewed by someone independent of the water and sewer accounting system every month to ensure all amounts have been accounted for appropriately.

The lack of reconciliations represents a weakness in the internal controls of the water and sewer billing and collection system. Reconciliations are needed to help ensure the accuracy of the billing, collection and reconciliation processes.

WE RECOMMEND the Board of Aldermen:

A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate,

documented independent review of the record keeping functions should be established.

B. Ensure beginning and ending accounts receivable balances are reconciled on a monthly basis using the billing, collections and billing adjustments during that month. Any differences which cannot be accounted for should be immediately investigated.

AUDITEE'S RESPONSE

A. We will attempt to implement this recommendation.

B. We believe this information is available from the computer system and will be provided to the board in the future.

5. Traffic Violations

The City of Urich issues traffic tickets, and the court cases for the city are heard once a month at the Henry County Courthouse by the Associate Circuit Judge. The Henry County Associate Court receives the payment of fines and court costs and then remits the fines to the City of Urich.

The police department does not maintain adequate records to account for all traffic tickets issued by the police department. Although ticket books appear to be assigned in numerical order by the police department, the numerical sequence of tickets issued is not accounted for and compared to the listing of cases disposed of by the Associate Court.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, this listing should be compared to the monthly listing of cases disposed of by the Associate Court to ensure all tickets have been accounted for properly.

WE RECOMMEND the Board of Aldermen ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

AUDITEE'S RESPONSE

We will implement this recommendation.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

TOWN OF HAYWARD, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-66
August 31, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Hayward, Missouri.

The town did not have budgets for calendar years 1999, 1998, 1997 and 1996. State law requires an authorized budget be in place before public monies are spent. The Town of Hayward has not submitted annual financial reports to the State Auditor's office since 1991. In addition, semi-annual financial statements were not prepared and made public by either being published or posted as required by law.

Public hearings have not been held prior to establishing property tax rates. State law requires a public hearing be held prior to the board's approval of these rates. Also, the board did not establish annual tax rates by ordinance as required by state law.

The Town of Hayward does not prepare a delinquent tax list and turn it over to the County Collector as required by state law. Furthermore, property tax receipts are not deposited on a timely basis.

Ordinances which govern the town could not be located. Since the ordinances represent legislation which has been passed by the Board of Trustees to govern the town and its residents, it is important that the town's ordinances be maintained in a complete, well-organized, and up-to-date manner.

No notices are posted for meetings held during the year. State law requires notices (including tentative agendas) to be posted in a prominent place which is easily accessible to the public. These notices should be posted at least twenty-four hours in advance of the meeting. If enough notice cannot be given before a public meeting, the reason should be documented in the board's minutes.

The town has one person that serves as the Town Clerk, Town Collector and the Town Treasurer. We recommend, and the board agrees, these duties be split between more than one person.

The Board of Trustees failed to put one of its Trustee positions up for election in April 1999 as required by state law.

The town has not developed a long-range plan to maintain the town's paved roads in the future. The town has limited resources and should review future maintenance costs for any new improvements.

FACT SHEET

TOWN OF HAYWARD, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Town of Hayward
Portageville, Missouri 63873

The State Auditor was petitioned under Section 29.230, RSMo, to audit the town of Hayward, Missouri. Our audit of the town included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

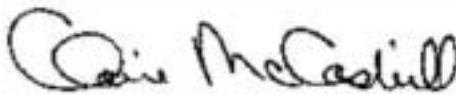
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, town policies and ordinances, and various town financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the town and was not subjected to the auditing procedures applied in the audit of the town.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the town of Hayward, Missouri.



Claire McCaskill
State Auditor

May 14, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

TOWN OF HAYWARD, MISSOURI
HISTORY AND ORGANIZATION

The town of Hayward was incorporated as a village in 1979 and is located in Pemiscot County. The population of the city in 1990 was 103.

The town government consists of a five-member board of trustees. The board of trustees is elected in staggered elections for two-year terms. The board member with the highest number of votes received in the election becomes the Chairman. The board of trustees at December 31, 1998, was:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31,1998
Oskar Johnson, Chairman(1)	April 1999	$ 0
Billy Becker, Trustee(2)	April 1999	0
Tom Johnson, Trustee	April 2000	0
Royal Roberts, Trustee	April 2000	0
Jack Studie, Trustee(3)	April 1999	0

(1) Oskar Johnson was re-elected in April 1999.
(2) Billy Becker was elected in April 1999. He was appointed to the board in May 1998.
(3) Sheila Jones was appointed to the board in February 1999 to fill Jack Studie's unexpired term. She did not stand for re-election in April 1999, but continues to serve until April 2001.

Billy Becker has been appointed to serve as Town Clerk, Treasurer and Collector. This individual received no compensation during the year ended December 31, 1998.

Assessed valuation information for the year 1998 is as follows:

ASSESSED VALUATION	
Real Estate	$ 154,510
Personal	49,100
Total	$ 203,610

TAX RATES PER $100 ASSESSED VALUATION	
General Fund	$ .50

A summary of the financial activity of the town of Hayward for the year ended December 31, 1998, is presented below:

	General Fund	Revenue-Sharing Fund	CDBG Fund
RECEIPTS			
Property taxes	$ 349	0	0
Motor-vehicle revenue	0	4,096	0
Community development grant	0	0	92,538
Interest	0	415	0
Other	73	0	0
Total receipts	422	4,511	92,538
DISBURSEMENTS			
Election expense	84	0	0
Community building expenses	381	0	0
Street lights	0	1,966	0
Mowing	0	375	0
Street repair	0	347	0
Housing rehabilitation	0	0	55,173
Drainage/ street improvement	0	0	8,579
Administration	0	0	11,150
Engineering	0	0	5,400
Other	113	0	0
Total disbursements	578	2,688	80,302
RECEIPTS OVER (UNDER) DISBURSEMENTS	-156	1,823	12,236
CASH AND CASH EQUIVALENTS, JANUARY 1,	267	10,604	13,127
CASH AND CASH EQUIVALENTS, DECEMBER 31,	$ 111	12,427	25,363

MANAGEMENT ADVISORY REPORT

TOWN OF HAYWARD, MISSOURI
SUMMARY OF FINDINGS

1. Budgets, Minutes, Meetings, Ordinances, and Financial Reports (pages 8-9)

   The town did not have budgets for the years ended December 31, 1999, 1998, 1997, and 1996. The board does not sign the minutes to indicate approval and the minutes do not include a list of payment of bills. The town has not submitted annual financial reports to the State Auditor's office since 1991. The board could not locate the town ordinances. Semi-annual financial statements are not prepared and published or posted as required by law. The board does not post notices of board meetings.

2. Accounting Controls and Procedures (page 10)

   The Town Clerk serves as the Town Treasurer and Town Collector.

3. Property Tax Controls and Procedures (pages 10-12)

   The Board of Trustees did not hold public hearings before establishing the property tax rate and did not establish the tax rate by ordinance. The board does not prepare a delinquent tax list and turn it over to the County Collector as required by state law. Property tax receipts are not deposited on a timely basis. The tax bills paid do not indicate the method of payment.

4. Restricted Revenues (page 12)

   The town paid $375 for mowing the community center property from motor vehicle-related receipts.

5. Elections (page 13)

   The Board of Trustees did not reelect Trustee Studie's position in April 1999.

6. Maintenance of Paved Roads (pages 13-14)

   The Board of Trustees has not developed a long-range plan to maintain the paved roads in the future.

1. Budgets, Minutes, Meetings, Ordinances, and Financial Reports

A. The town did not have budgets for the calendar years 1999, 1998, 1997 and 1996. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about the town's operations and current finances. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

B. The board minutes are not signed by either the chairman, the clerk, nor any of the other board members. The minutes do not include a list of bills for the month or year. The minutes do not document approved motions for bills to be paid or minutes to be approved.

The official board minutes should be signed by the board members, or at least a designated member of the board, to provide an independent attestation that the minutes are a complete and correct record of the matters discussed and actions taken during the board's meetings. The board should also include a list of approved bills in the minutes to document its approval.

C. The town has not submitted annual financial reports to the State Auditor's office pursuant to Section 105.145, RSMo, since 1991. The town should ensure the annual report required by law is submitted to the State Auditor's office.

D. The town does not maintain records of adopted ordinances. The town could not locate the ordinances which govern the town.

State laws specify the manner and form in which ordinances are to be prepared and require the ordinances to be published. In addition, since the ordinances represent legislation which has been passed by the Board of Trustees to govern the town and its residents, it is important that the town's ordinances be maintained in a complete, well-organized, and up-to-date manner.

E. Semiannual financial statements are not prepared and published or posted as required by law. Section 80.210, RSMo 1994, provides that the board of trustees in March and September are to prepare and publish semiannual financial statements in a local newspaper or to post semiannual financial statements in six public places within the town.

F. No notices are posted for meetings held during the year. Section 610.020, RSMo, requires notices (including tentative agendas) to be posted in a prominent place which is easily accessible to the public, to be given at least twenty-four hours in advance, or if not feasible, reasons are to be documented in the board minutes.

WE RECOMMEND the Board of Trustees:

A. Prepare complete and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the town.

B. Document its review and approval of the board minutes and bills to be paid by signing, or designating a board member to sign, the official copy of the minutes which includes the list of approved bills.

C. Ensure the annual financial report is filed with the State Auditor's office.

D. Take action to ensure a complete set of ordinances is located and maintained.

E. Ensure semiannual financial statements are published or posted in accordance with state law.

F. Ensure notices of the board meetings are posted in accordance with state law.

AUDITEE'S RESPONSE

A. We will prepare an annual budget to provide a complete financial plan for the town.

B. We are doing this now. We will include a list of approved bills with the minutes.

C. If it is the law that we do this, then we will submit an annual financial report to the State Auditor's office.

D. The ordinances were in the community building, but they are missing from the office. We will pass new ordinances.

E. We agree. If we need to do a semi-annual report, then we will prepare one and post it as required.

F. We will post a notice on the community building about the monthly board meetings.

2. Accounting Controls and Procedures

The town has one person that serves as the Town Clerk, Town Collector and the Town Treasurer. The duties of this official include maintaining receipt and disbursement records, making bank deposits, preparing and mailing tax bills, collecting property taxes, preparing checks, receiving and reconciling bank statements, and preparing financial reports.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the Town Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statues pertaining to villages are similar to those cited in this opinion and, thus, the opinion's conclusion appears to be applicable to villages.

Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. The board should implement procedures to ensure a proper segregation of duties including, but not limited to, requiring that receipts are reconciled to deposits and that bank statements are reviewed and/or reconciled by someone independent of the bookkeeping duties.

WE RECOMMEND the Board of Trustees provide for an adequate segregation of duties. If this is not possible, at a minimum, procedures for adequate independent reconciliations and reviews of accounting records should be established.

AUDITEE'S RESPONSE

We agree to separate the duties. We will have three separate officials.

3. Property Tax Controls and Procedures

A. Public hearings have not been held prior to establishing the property tax rates. Section 67.110, RSMo, states a public hearing is to be held on proposed rates of tax prior to the board's approval of the rates. Also, the board did not establish the annual tax rates by ordinance as required by Section 94.210, RSMo.

B. The town does not prepare a delinquent tax list and turn it over to the County Collector as required by state law. Section 80.480, RSMo 1994, requires the board of trustees to annually turn over to the county collector a delinquent tax list and certified copies of all tax bills included in the delinquent list. The County Collector is then responsible for collecting the amounts due, including any interest and penalty charges. Attorney General's Opinion No. 31, 1950 to Frank, concluded that the delinquent taxes of a village should be in the hands of the county collector by the first Monday in March of each year. Delinquent property taxes owed to the town as of December 31, 1998, totaled $488 for the previous tax year.

C. Property tax receipts are not deposited on a timely basis. The town clerk deposited $731 of 1998 property taxes on January 22, 1999. He had been collecting the property tax receipts since December 5, 1998. We also noted receipts collected on January 9, 1998 that were not deposited until April 6, 1998.

Although the town collector has indicated on the records that his property taxes totaling $50 were paid as of January 20, 1999, the money has not been deposited as of May 14, 1999. The collector indicated that he had paid by check, but since it was not deposited, the money remained in his personal account.

To adequately safeguard against loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100. All monies should be deposited at least weekly.

D. The town receives cash and checks for the payment of property taxes. The tax bills which accompany the payment serve as the town’s record of receipt; however, the method of payment (cash, check, money order, etc.) is not noted on the tax bills.

To ensure proper handling and safeguarding of town monies, the method of and date of payments should be indicated on the tax bills and the composition of receipts reconciled to bank deposits.

WE RECOMMEND the Board of Trustees:

A. Hold public hearings on proposed property tax rates and establish the annual levies by ordinance as required by state law.

B. Ensure a delinquent property tax list is turned over to the County Collector annually as required by state law.

C. Ensure deposits are made daily or when receipts exceed $100. All monies should be deposited at least weekly.

D. Require the Town Collector to record the method on the corresponding tax bills received and reconcile the composition of receipts to bank deposits.

AUDITEE'S RESPONSE

A. The property tax was established when the town was incorporated and remains the same today. We will have a public hearing to set the tax rates and pass an ordinance each year.

B. We did not know that we could submit delinquent taxes to the county collector. In the future, we will do this.

C. We agree that deposits should be made when receipts exceed $100.

D. We agree tax bills received and bank deposits should be reconciled. The method of payment will be noted.

4. Restricted Revenues

During the year ended December 31, 1998, the town deposited $4,096 of state motor vehicle-related receipts into a separate fund for motor-vehicle receipts titled Revenue-Sharing Fund. The town paid $375 from this fund for mowing the community center grounds. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The mowing of the community center grounds does not appear to be an appropriate use of this money.

To ensure compliance with the Missouri Constitution, the town should ensure receipts are only spent on purposes allowed by the constitution.

WE RECOMMEND the Board of Trustees ensure that disbursements of motor vehicle receipts are spent in compliance with the Missouri constitution. In addition, the Board of Trustees should transfer $375 from the General Fund to the account with motor vehicle revenues.

AUDITEE'S RESPONSE

We will pay the $375 back to the Motor Vehicle Fund as our funds allow us. We will discontinue paying the mowing from that fund.

5. Elections

In April 1997, former Trustee Studie was elected to serve a two year term on the town's board of trustees. In February 1999, Trustee Jones was appointed to fill the unexpired term of Trustee Studie after his departure from Hayward.

According to Section 80.230, RSMo 1994, if a vacancy occurs in a trustee position the remaining members of the board shall fill the vacancy. The successor appointed by the board must be elected in the next election.

Trustee Jones did not stand for re-election in the April 1999 election, as required by state law, but plans to serve until April 2001.

Trustee Jones may not be serving on the board legally. The board should reappoint her or appoint someone else to fill the position until the next election (April 2000).

The Board of Trustees should ensure that any future trustee positions are filled in accordance with state law.

WE RECOMMEND the Board of Trustees should reappoint the trustee currently serving or appoint someone else to fill the position until the next election. In the future, the Board of Trustees should ensure that trustee positions are filled in compliance with state law.

AUDITEE'S RESPONSE

It was an oversight on our part to not have Sheila Jones file for election. On July 5, 1999, we reappointed her to make it legal.

6. Maintenance of Paved Roads

The town received a Community Development Block Grant (CDBG) to rehabilitate houses and provide adequate drainage in the town. The town utilized the drainage monies to provide better drainage and pave the town roads. The town roads were graveled previously and were maintained by the town with additional assistance from the county. The county provided the equipment to maintain the road and the town would purchase the gravel. When the town began planning the paving part of the grant project, the county indicated to the town that it would not be able to provide assistance maintaining paved roads, as they did not have the resources or equipment to maintain them. The town has not developed a long-range plan to maintain the paved roads in the future. The town has limited resources and should review future maintenance costs for any new improvements.

WE RECOMMEND the Board of Trustees should develop a long-range plan for maintaining the paved roads and ensure that any future improvements are made in connection with a plan for future maintenance costs.

AUDITEE'S RESPONSE

We plan on using our motor vehicle monies for maintaining the paved roads. We will try to develop a long-range plan.

This report is intended for the information of the management of the town of Hayward and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

AUDIT REPORT

DAVIESS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-65
August 30, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Daviess, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Daviess County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

DAVIESS COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Daviess County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Daviess County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Daviess County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Daviess County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Daviess County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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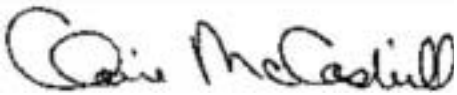
Daviess County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 13, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Daviess County, Missouri

We have audited the special-purpose financial statements of various funds of Daviess County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Daviess County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Daviess County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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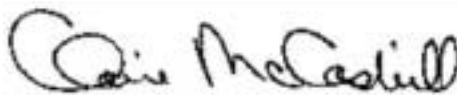
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Daviess County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	546,957	615,821	596,816	565,962
Special Road and Bridge		572,077	2,234,875	1,968,888	838,064
Assessment		0	127,782	123,073	4,709
Law Enforcement Training		8,869	5,510	4,715	9,664
Prosecuting Attorney Training		886	1,322	838	1,370
Frazier Trust		12,745	676	65	13,356
Law Enforcement Training - POST		1,098	987	924	1,161
Law Enforcement Sales Tax		30,073	288,127	299,887	18,313
Mays Estate		14,396	869	2,427	12,838
Domestic Violence		173	367	0	540
Prosecuting Attorney Bad Check		4,947	3,715	4,096	4,566
Jackson Township Grant Maintenance		33,860	6,493	0	40,353
Local Emergency Planning Committee		3,172	107	756	2,523
Sheriff Civil Fees		2,500	6,994	0	9,494
Prosecuting Attorney Forfeitures		1,105	19	638	486
Sheriff Forfeitures		554	17	0	571
Recorder's User Fees		17,066	5,642	1,528	21,180
Prosecuting Attorney Delinquent Tax		153	147	215	85
County Clerk Grant		905	2,535	3,440	0
Central Dispatch Emergency Services		272,593	197,096	269,829	199,860
Health Center		140,108	296,865	258,812	178,161
Law Library		925	1,625	2,146	404
Jail Capital Improvement		0	102,752	0	102,752
Community Development Block Grant		81	65,108	65,108	81
Developmentally Disabled		0	9,457	0	9,457
Circuit Clerk Interest		753	1,040	1,031	762
Associate Circuit Interest		555	753	225	1,083
Total	$	1,666,551	3,976,701	3,605,457	2,037,795

The accompanying Notes to the Financial Statements are an integral part of this statement.

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Exhibit A-2

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	389,198	590,257	432,498	546,957
Special Road and Bridge		530,400	1,301,111	1,259,434	572,077
Assessment		943	102,107	103,050	0
Law Enforcement Training		8,558	5,058	4,747	8,869
Prosecuting Attorney Training		212	1,803	1,129	886
Frazier Trust		12,291	607	153	12,745
Law Enforcement Training - POST		1,066	712	680	1,098
Law Enforcement Sales Tax		7,887	302,872	280,686	30,073
Mays Estate		17,052	474	3,130	14,396
Domestic Violence		475	314	616	173
Prosecuting Attorney Bad Check		1,753	3,550	356	4,947
Jackson Township Grant Maintenance		58,593	14,232	38,965	33,860
Local Emergency Planning Committee		4,256	151	1,235	3,172
Sheriff Civil Fees		0	2,500	0	2,500
Prosecuting Attorney Forfeitures		1,290	60	245	1,105
Sheriff Forfeitures		549	5	0	554
Recorder's User Fees		17,070	5,883	5,887	17,066
Prosecuting Attorney Delinquent Tax		291	152	290	153
County Clerk Grant		0	3,905	3,000	905
Local Emergency Planning Committee - Flow Grant		989	13	1,002	0
Central Dispatch Emergency Services		248,800	204,264	180,471	272,593
Health Center		114,639	304,322	278,853	140,108
Law Library		3	1,871	949	925
Community Development Block Grant		81	0	0	81
Circuit Clerk Interest		1,291	964	1,502	753
Associate Circuit Interest		0	645	90	555
Total	$	1,417,687	2,847,832	2,598,968	1,666,551

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 187,500	188,051	551	207,100	216,034	8,934
Sales taxes	190,000	189,981	-19	175,000	191,654	16,654
Intergovernmental	33,316	30,923	-2,393	27,400	36,152	8,752
Charges for services	97,150	99,997	2,847	88,100	101,985	13,885
Interest	20,000	26,033	6,033	15,000	23,780	8,780
Other	23,400	27,769	4,369	18,000	15,960	-2,040
Transfers in	52,800	53,067	267	1,000	4,692	3,692
Total Receipts	604,166	615,821	#VALUE!	531,600	590,257	#VALUE!
DISBURSEMENTS						
County Commission	55,502	55,310	192	51,900	52,228	-328
County Clerk	57,902	54,621	3,281	55,917	53,082	2,835
Elections	30,150	27,950	2,200	18,750	17,239	1,511
Buildings and grounds	95,011	62,710	32,301	63,000	39,283	23,717
Employee fringe benefits	22,000	18,531	3,469	20,300	18,609	1,691
County Treasurer	34,643	34,010	633	33,590	32,893	697
Ex Officio County Collector	2,000	1,112	888	1,800	1,058	742
Circuit Clerk and Ex Officio Recorder of Deeds	19,728	19,488	240	20,028	19,223	805
Associate Circuit Court	10,200	7,183	3,017	6,400	6,312	88
Court administration	14,054	6,066	7,988	14,915	9,333	5,582
Public Administrator	6,162	5,799	363	5,730	5,713	17
Sheriff	0	0	0	2,500	2,100	400
Prosecuting Attorney	60,490	60,724	-234	58,895	56,320	2,575
Juvenile Officer	19,464	15,834	3,630	18,581	14,694	3,887
County Coroner	9,892	7,575	2,317	10,465	8,351	2,114
Insurance	10,000	13,568	-3,568	10,000	9,371	629
University Extension	26,500	26,499	1	21,500	21,500	0
Industrial Developement Authority	20,000	20,000	0	15,000	15,000	0
Copier/fax	4,000	3,206	794	7,500	7,625	-125
Plats and maps	10,000	8,510	1,490	10,000	0	10,000
Public health and welfare services	1,000	0	1,000	1,000	0	1,000
Other	18,850	14,351	4,499	18,142	15,081	3,061
Transfers out	137,063	133,769	3,294	57,570	27,483	30,087
Emergency Fund	30,000	0	30,000	30,000	0	30,000
Total Disbursements	694,611	596,816	97,795	553,483	432,498	120,985
RECEIPTS OVER (UNDER) DISBURSEMENTS	-90,445	19,005	#VALUE!	-21,883	157,759	#VALUE!
CASH, JANUARY 1	546,957	546,957	0	389,198	389,198	0
CASH, DECEMBER 31	$ 456,512	565,962	#VALUE!	367,315	546,957	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 2,692,098	2,184,362	-507,736	1,342,000	1,242,097	-99,903
Charges for services	8,500	16,394	7,894	10,000	12,709	2,709
Interest	20,000	32,375	12,375	26,500	22,920	-3,580
Other	1,500	1,744	244	1,000	23,385	22,385
Total Receipts	2,722,098	2,234,875	-487,223	1,379,500	1,301,111	-78,389
DISBURSEMENTS						
Salaries	115,000	84,105	30,895	110,000	103,024	6,976
Employee fringe benefits	16,400	12,538	3,862	15,400	14,193	1,207
Supplies	26,800	10,941	15,859	25,300	20,554	4,746
Insurance	11,500	4,994	6,506	11,500	7,289	4,211
Road and bridge materials	290,500	309,544	-19,044	300,500	217,264	83,236
Equipment repairs	35,000	12,810	22,190	30,000	31,752	-1,752
Rentals	2,000	1,481	519	1,000	704	296
Equipment purchases	120,000	67,611	52,389	45,000	26,082	18,918
Construction, repair, and maintenance	2,158,902	1,405,374	753,528	840,000	827,646	12,354
Other	9,200	5,070	4,130	8,800	5,506	3,294
Transfers out	54,420	54,420	0	5,420	5,420	0
Total Disbursements	2,839,722	1,968,888	870,834	1,392,920	1,259,434	133,486
RECEIPTS OVER (UNDER) DISBURSEMENTS	-117,624	265,987	383,611	-13,420	41,677	55,097
CASH, JANUARY 1	572,077	572,077	0	530,400	530,400	0
CASH, DECEMBER 31	$ 454,453	838,064	383,611	516,980	572,077	55,097

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 109,883	99,416	-10,467	93,200	87,988	-5,212
Interest	300	401	101	950	351	-599
Other	300	1,582	1,282	950	929	-21
Transfers in	37,063	26,383	-10,680	22,570	12,839	-9,731
Total Receipts	147,546	127,782	-19,764	117,670	102,107	-15,563
DISBURSEMENTS						
Assessor	146,796	123,073	23,723	118,588	103,050	15,538
Total Disbursements	146,796	123,073	23,723	118,588	103,050	15,538
RECEIPTS OVER (UNDER) DISBURSEMENTS	750	4,709	3,959	-918	-943	-25
CASH, JANUARY 1	0	0	0	943	943	0
CASH, DECEMBER 31	$ 750	4,709	3,959	25	0	-25

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,000	5,154	1,154	3,000	4,854	1,854
Interest	200	356	156	300	204	-96
Total Receipts	4,200	5,510	1,310	3,300	5,058	1,758
DISBURSEMENTS						
Sheriff	7,350	1,846	5,504	2,600	1,055	1,545
Transfers out	2,800	2,869	-69	2,000	3,692	-1,692
Total Disbursements	10,150	4,715	5,435	4,600	4,747	-147
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,950	795	6,745	-1,300	311	1,611
CASH, JANUARY 1	8,869	8,869	0	8,558	8,558	0
CASH, DECEMBER 31	$ 2,919	9,664	6,745	7,258	8,869	1,611

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,000	1,292	-708	1,750	1,791	41
Interest	15	30	15	10	12	2
Total Receipts	2,015	1,322	-693	1,760	1,803	43
DISBURSEMENTS						
Prosecuting Attorney	1,950	838	1,112	1,655	1,129	526
Total Disbursements	1,950	838	1,112	1,655	1,129	526
RECEIPTS OVER (UNDER) DISBURSEMENTS	65	484	419	105	674	569
CASH, JANUARY 1	886	886	0	212	212	0
CASH, DECEMBER 31	$ 951	1,370	419	317	886	569

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FRAZIER TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 600	676	76	350	607	257
Total Receipts	600	676	76	350	607	257
DISBURSEMENTS						
School supplies	500	65	435	400	153	247
Total Disbursements	500	65	435	400	153	247
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	611	511	-50	454	504
CASH, JANUARY 1	12,745	12,745	0	12,291	12,291	0
CASH, DECEMBER 31	$ 12,845	13,356	511	12,241	12,745	504

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING - POST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 700	924	224	0	680	680
Interest	35	63	28	10	32	22
Total Receipts	735	987	252	10	712	702
DISBURSEMENTS						
Sheriff	1,000	924	76	1,000	680	320
Total Disbursements	1,000	924	76	1,000	680	320
RECEIPTS OVER (UNDER) DISBURSEMENTS	-265	63	328	-990	32	1,022
CASH, JANUARY 1	1,098	1,098	0	1,066	1,066	0
CASH, DECEMBER 31	$ 833	1,161	328	76	1,098	1,022

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 190,000	189,972	-28	175,000	191,654	16,654
Intergovernmental	45,000	62,288	17,288	12,500	43,917	31,417
Charges for services	18,000	8,971	-9,029	18,300	17,357	-943
Interest	800	906	106	600	827	227
Other	29,650	21,129	-8,521	33,600	34,473	873
Transfers in	0	4,861	4,861	35,000	14,644	-20,356
Total Receipts	283,450	288,127	4,677	275,000	302,872	27,872
DISBURSEMENTS						
Salaries	121,038	121,600	-562	117,231	116,850	381
Office expenditures	5,900	3,692	2,208	5,400	4,431	969
Equipment	1,500	0	1,500	1,500	0	1,500
Mileage and training	39,500	35,047	4,453	36,803	35,006	1,797
Prisoner costs	114,100	122,979	-8,879	100,000	107,743	-7,743
Fringe benefits	12,400	11,828	572	12,300	11,539	761
Other	6,590	4,741	1,849	6,340	5,117	1,223
Total Disbursements	301,028	299,887	1,141	279,574	280,686	-1,112
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,578	-11,760	5,818	-4,574	22,186	26,760
CASH, JANUARY 1	30,073	30,073	0	7,887	7,887	0
CASH, DECEMBER 31	$ 12,495	18,313	5,818	3,313	30,073	26,760

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MAYS ESTATE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 450	869	419	1,000	474	-526
Total Receipts	450	869	419	1,000	474	-526
DISBURSEMENTS						
Nursing home kitchen equipment	10,000	2,427	7,573	18,000	3,130	14,870
Total Disbursements	10,000	2,427	7,573	18,000	3,130	14,870
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,550	-1,558	7,992	-17,000	-2,656	14,344
CASH, JANUARY 1	14,396	14,396	0	17,052	17,052	0
CASH, DECEMBER 31	$ 4,846	12,838	7,992	52	14,396	14,344

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 300	355	55	370	305	-65
Interest	8	12	4	10	9	-1
Total Receipts	308	367	59	380	314	-66
DISBURSEMENTS						
Women's and children's shelter	450	0	450	850	616	234
Total Disbursements	450	0	450	850	616	234
RECEIPTS OVER (UNDER) DISBURSEMENTS	-142	367	509	-470	-302	168
CASH, JANUARY 1	173	173	0	475	475	0
CASH, DECEMBER 31	$ 31	540	509	5	173	168

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,500	3,715	215	2,500	3,550	1,050
Total Receipts	3,500	3,715	215	2,500	3,550	1,050
DISBURSEMENTS						
Prosecuting Attorney	8,000	4,096	3,904	4,000	356	3,644
Total Disbursements	8,000	4,096	3,904	4,000	356	3,644
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,500	-381	4,119	-1,500	3,194	4,694
CASH, JANUARY 1	4,947	4,947	0	1,753	1,753	0
CASH, DECEMBER 31	$ 447	4,566	4,119	253	4,947	4,694

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JACKSON TOWNSHIP GRANT MAINTENANCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 500	500	0	500	500	0
Interest	2,500	1,573	-927	1,250	3,312	2,062
Other	6,000	0	-6,000	0	6,000	6,000
Transfers in	4,420	4,420	0	4,420	4,420	0
Total Receipts	13,420	6,493	-6,927	6,170	14,232	8,062
DISBURSEMENTS						
Road maintenance	0	0	0	40,000	38,965	1,035
Total Disbursements	0	0	0	40,000	38,965	1,035
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,420	6,493	-6,927	-33,830	-24,733	9,097
CASH, JANUARY 1	33,860	33,860	0	58,593	58,593	0
CASH, DECEMBER 31	$ 47,280	40,353	-6,927	24,763	33,860	9,097

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	3,500	0	-3,500
Interest	125	88	-37	0	151	151
Other	0	19	19	0	0	0
Total Receipts	125	107	-18	3,500	151	-3,349
DISBURSEMENTS						
Other	3,000	756	2,244	5,000	1,235	3,765
Total Disbursements	3,000	756	2,244	5,000	1,235	3,765
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,875	-649	2,226	-1,500	-1,084	416
CASH, JANUARY 1	3,172	3,172	0	4,256	4,256	0
CASH, DECEMBER 31	$ 297	2,523	2,226	2,756	3,172	416

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES FUND

		Year Ended December 31, 1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	$	10,000	6,852	-3,148
Interest		100	142	42
Total Receipts		10,100	6,994	-3,106
DISBURSEMENTS				
Sheriff		12,500	0	12,500
Total Disbursements		12,500	0	12,500
RECEIPTS OVER (UNDER) DISBURSEMENTS		-2,400	6,994	9,394
CASH, JANUARY 1		2,500	2,500	0
CASH, DECEMBER 31	$	100	9,494	9,394

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY FORFEITURES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 10	19	9
Total Receipts	10	19	9
DISBURSEMENTS			
Prosecuting Attorney	1,000	638	362
Total Disbursements	1,000	638	362
RECEIPTS OVER (UNDER) DISBURSEMENTS	-990	-619	371
CASH, JANUARY 1	1,105	1,105	0
CASH, DECEMBER 31	$ 115	486	371

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF FORFEITURES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 10	17	7
Other	500	0	-500
Total Receipts	510	17	-493
DISBURSEMENTS			
Sheriff	1,000	0	1,000
Total Disbursements	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-490	17	507
CASH, JANUARY 1	554	554	0
CASH, DECEMBER 31	$ 64	571	507

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,300	5,086	-214	4,500	5,382	882
Interest	0	556	556	500	501	1
Total Receipts	5,300	5,642	342	5,000	5,883	883
DISBURSEMENTS						
Ex Officio Recorder of Deeds	19,000	1,528	17,472	21,948	5,887	16,061
Total Disbursements	19,000	1,528	17,472	21,948	5,887	16,061
RECEIPTS OVER (UNDER) DISBURSEMENTS	-13,700	4,114	17,814	-16,948	-4	16,944
CASH, JANUARY 1	17,066	17,066	0	17,070	17,070	0
CASH, DECEMBER 31	$ 3,366	21,180	17,814	122	17,066	16,944

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 150	147	-3
Total Receipts	150	147	-3
DISBURSEMENTS			
Prosecuting Attorney	300	215	85
Total Disbursements	300	215	85
RECEIPTS OVER (UNDER) DISBURSEMENTS	-150	-68	82
CASH, JANUARY 1	153	153	0
CASH, DECEMBER 31	$ 3	85	82

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY CLERK GRANT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,557	0	-1,557
Interest	0	10	10
Transfers in	3,740	2,525	-1,215
Total Receipts	5,297	2,535	-2,762
DISBURSEMENTS			
County Clerk	6,202	3,242	2,960
Transfers out	0	198	-198
Total Disbursements	6,202	3,440	2,762
RECEIPTS OVER (UNDER) DISBURSEMENTS	-905	-905	0
CASH, JANUARY 1	905	905	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE - FLOW GRANT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 10	13	3
Total Receipts	10	13	3
DISBURSEMENTS			
Other	999	1,002	-3
Total Disbursements	999	1,002	-3
RECEIPTS OVER (UNDER) DISBURSEMENTS	-989	-989	0
CASH, JANUARY 1	989	989	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CENTRAL DISPATCH EMERGENCY SERVICES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 180,000	190,299	10,299	175,000	190,321	15,321
Interest	4,000	5,970	1,970	4,000	13,893	9,893
Other	0	827	827	0	50	50
Total Receipts	184,000	197,096	13,096	179,000	204,264	25,264
DISBURSEMENTS						
Salaries	88,000	81,473	6,527	90,000	0	90,000
Office expenditures	5,000	4,381	619	5,000	1,569	3,431
Equipment	80,000	83,127	-3,127	60,000	97,597	-37,597
Mileage and training	2,000	1,794	206	1,000	0	1,000
Mapping	0	67,665	-67,665	80,000	21,482	58,518
Consultant	0	0	0	48,000	58,843	-10,843
Maintenance and repairs	5,000	3,554	1,446	0	0	0
Other	0	27,835	-27,835	10,000	980	9,020
Total Disbursements	180,000	269,829	-89,829	294,000	180,471	113,529
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,000	-72,733	-76,733	-115,000	23,793	138,793
CASH, JANUARY 1	272,593	272,593	0	248,800	248,800	0
CASH, DECEMBER 31	$ 276,593	199,860	-76,733	133,800	272,593	138,793

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

DAVIESS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 47,700	61,852	14,152	45,000	52,602	7,602
Intergovernmental	148,575	103,122	-45,453	102,755	127,860	25,105
Charges for services	78,750	89,623	10,873	75,400	114,364	38,964
Interest	5,000	7,201	2,201	5,000	3,531	-1,469
Other	2,400	35,067	32,667	1,250	5,965	4,715
Total Receipts	282,425	296,865	14,440	229,405	304,322	74,917
DISBURSEMENTS						
Salaries	196,879	201,449	-4,570	194,909	207,851	-12,942
Office expenditures	36,150	13,582	22,568	14,700	18,687	-3,987
Equipment	8,050	1,499	6,551	10,950	7,087	3,863
Mileage and training	5,900	5,775	125	9,500	10,997	-1,497
Other	48,970	36,507	12,463	27,950	34,231	-6,281
Total Disbursements	295,949	258,812	37,137	258,009	278,853	-20,844
RECEIPTS OVER (UNDER) DISBURSEMENTS	-13,524	38,053	51,577	-28,604	25,469	54,073
CASH, JANUARY 1	140,108	140,108	0	114,639	114,639	0
CASH, DECEMBER 31	$ 126,584	178,161	51,577	86,035	140,108	54,073

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 1,910	1,625	-285
Total Receipts	1,910	1,625	-285
DISBURSEMENTS			
Office expenditures	2,835	2,146	689
Total Disbursements	2,835	2,146	689
RECEIPTS OVER (UNDER) DISBURSEMENTS	-925	-521	404
CASH, JANUARY 1	925	925	0
CASH, DECEMBER 31	$ 0	404	404

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Daviess County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Central Dispatch for Emergency Services Board, the Health Center Board, or the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff Civil Fees Fund	1997
Prosecuting Attorney Forfeitures Fund	1997
Sheriff Forfeitures Fund	1997
Prosecuting Attorney Delinquent Tax Fund	1997
County Clerk Grant Fund	1997
Law Library Fund	1997
Community Development Block Grant Fund	1998 and 1997
Developmentally Disabled Fund	1998
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1997
Law Enforcement Sales Tax Fund	1997
Local Emergency Planning Committee - Flow Grant Fund	1997
Central Dispatch Emergency Services Fund	1998
Health Center Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Recorder's User Fees Fund	1997
Central Dispatch Emergency Services Fund	1998
Health Center Fund	1998
Law Library Fund	1998 and 1997
Community Development Block Grant Fund	1998 and 1997

Developmentally Disabled Fund	1998
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the Health Center Board's custodial bank in the name of the Health Center Board.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the Health Center Board existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $82,087 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $46,841. As of December 31, 1998, $20,925 remains to be paid.

Supplementary Schedule

Schedule

DAVIESS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-8130	$ 28,882	47,901
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	93-PF-10	65,108	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-031(09)	1,291	0
		BRO-031(11)	0	322,036
		BRO-031(14)	264,390	0
		BRO-031(16)	330,672	0
	Program Total		596,353	322,036
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety -			
83.5	Public Assistance Grants	1054-DR-MO	830,580	473,108
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	PG0064-9130	5,095	6,553
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	1,420	2,311
	Department of Health -			
93.6	Child Care and Development Block Grant	ER0146-9130	110	0
94.0	Maternal and Child Health Services Block Grant to the States	ER0146-8130	16,238	15,406
	Total Expenditures of Federal Awards		$ 1,543,786	867,315

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

DAVIESS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Daviess County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Because Daviess County expended no noncash awards for the years ended December 31, 1998 and 1997, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Daviess County, Missouri

Compliance

We have audited the compliance of Daviess County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Daviess County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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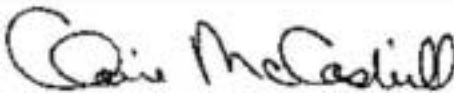
Internal Control Over Compliance

The management of Daviess County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Daviess County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 13, 1999 (fieldwork completion date)

Schedule

DAVIESS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Noncompliance material to the financial statements noted?	_____ yes	x no

Federal Awards

Internal control over major programs:		
Material weakness identified?	_____ yes	x no
Reportable condition identified that is not considered to be a material weakness?	_____ yes	x none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	x no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program
83.544	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

DAVIESS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

DAVIESS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

DAVIESS COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Daviess County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999. We also have audited the compliance of Daviess County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 13, 1999.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Daviess County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgetary Practices

   Actual expenditures exceeded budgeted amounts in the Central Dispatch Emergency Services Fund by $89,829 and in the Health Center Fund by $20,844 in the years ended December 31, 1998 and 1997, respectively.

2. Personnel Policies and Procedures

   Time sheets are not prepared by the Sheriff's department employees.

   In 1998, the former Prosecuting Attorney paid $2,623 to a secretary in his office from the Prosecuting Attorney Bad Check Fund. There was no supporting documentation for this disbursement.

3. Central Dispatch for Emergency Services Board

   The chairman of the Central Dispatch for Emergency Services Board also works as a dispatcher in the Central Dispatch office for which she is compensated which may represent a conflict of interest.

This Letter on Other Matters is intended for the information of the management of Daviess County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

GRUNDY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-64
August 26, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

August 1999

FACT SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Grundy, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Grundy County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< The Public Administrator has frequently been late in filing annual settlements and is not adequately monitoring the bank account balances of wards. Numerous concerns existed with the methods of providing allowance payments to wards and documentation pertaining to many disbursements was not adequate or was not retained. The Associate Circuit Judge has removed the Public Administrator as guardian and conservator for one ward and requested additional information regarding some disbursements for other wards. Additionally, reimbursements to the Public Administrator himself were not supported by adequate documentation.

< The county's overtime and compensatory time policies do not address current practices of the ambulance service, which are inconsistent with overtime determination methods utilized for other county employees. The county may be incurring more in overtime costs than is necessary.

< Due to the erroneous handling of some property tax transactions by the Trenton Township Collector and the Ex Officio County Collector, the county apparently failed to collect approximately $4,303 in back taxes.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Prosecuting Attorney, Assessor, Health Center Board, and the Families and Friends of the Developmentally Disabled Board. The audit also suggested improvements be made in the county's budgetary and financial reporting procedures, property tax system controls, and other payroll and salary commission procedures and documentation.

Copies of the audit are available upon request.

GRUNDY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Grundy County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Grundy County.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues, as amended by GASB Technical Bulletin 99-1*, requires disclosure of certain matters regarding the year 2000 issue. Grundy County has included such disclosures in Note 4. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 4. Further, we do not provide assurance that the county is or will become year

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2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 6, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Grundy County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

Claire McCaskill
State Auditor

April 6, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Grundy County, Missouri

We have audited the special-purpose financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 6, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Grundy County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Grundy County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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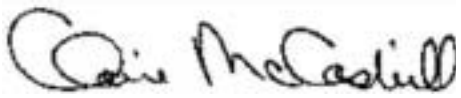
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Grundy County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 6, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	735,279	909,823	899,485	745,617
Special Road and Bridge		197,804	655,088	596,281	256,611
Assessment		5,060	113,670	118,151	579
Law Enforcement Training		4,294	4,261	4,464	4,091
Prosecuting Attorney Training		3,112	865	681	3,296
Ambulance		184,113	494,389	445,491	233,011
Recorder's User Fees		11,670	4,898	1,259	15,309
Prosecuting Attorney Bad Check		7,306	11,692	11,436	7,562
9-1-1		37,938	91,933	72,969	56,902
Victims of Domestic Violence		1,194	494	1,229	459
Health Center		241,715	355,902	320,256	277,361
Families & Friends of the Developmentally Disabled		146,126	83,707	78,052	151,781
Circuit Clerk Interest		2,358	1,880	1,231	3,007
Associate Division Interest		1,090	435	999	526
Law Library		8,160	5,864	5,900	8,124
Child Care		5,881	8,514	5,793	8,602
Private Tutoring		2,760	1,138	1,737	2,161
Project Mentoring		110	40,856	40,696	270
Prosecuting Attorney Delinquent Tax		2,695	400	0	3,095
Drug Awareness and Resistance Education		468	636	622	482
Expendable Trusts		212,307	18,257	10,078	220,486
Local Emergency Planning Committee		5,799	2,804	865	7,738
Division of Youth Services Intensive Probation		0	39,606	39,606	0
St. Luke's Grant		1,127	3,750	4,877	0
Law Enforcement Block Grant		0	7,890	7,890	0
Total	$	1,818,366	2,858,752	2,670,048	2,007,070

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	595,576	967,584	827,881	735,279
Special Road and Bridge		242,774	733,902	778,872	197,804
Assessment		57	125,057	120,054	5,060
Law Enforcement Training		1,273	7,955	4,934	4,294
Prosecuting Attorney Training		3,493	1,099	1,480	3,112
Ambulance		254,047	534,347	604,281	184,113
Recorder's User Fees		9,646	4,241	2,217	11,670
Prosecuting Attorney Bad Check		5,954	11,545	10,193	7,306
9-1-1		108,344	90,620	161,026	37,938
Victims of Domestic Violence		683	511	0	1,194
Health Center		220,855	344,706	323,846	241,715
Families & Friends of the Developmentally Disabled		125,253	77,020	56,147	146,126
Circuit Clerk Interest		2,806	908	1,356	2,358
Associate Division Interest		588	502	0	1,090
Law Library		4,527	3,703	70	8,160
Child Care		4,987	4,896	4,002	5,881
Private Tutoring		2,553	1,067	860	2,760
Project Mentoring		0	33,458	33,348	110
Prosecuting Attorney Delinquent Tax		2,299	420	24	2,695
Drug Awareness and Resistance Education		-84	762	210	468
Expendable Trusts		215,945	23,187	26,825	212,307
Local Emergency Planning Committee		3,591	3,496	1,288	5,799
Division of Youth Services Intensive Probation		0	30,848	30,848	0
St. Luke's Grant		0	1,127	0	1,127
Total	$	1,805,167	3,002,961	2,989,762	1,818,366

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 82,000	74,907	-7,093	61,200	68,219	7,019
Sales taxes	390,000	366,390	-23,610	360,000	390,639	30,639
Intergovernmental	161,262	181,530	20,268	128,850	166,486	37,636
Charges for services	139,000	132,492	-6,508	123,900	125,135	1,235
Interest	28,000	31,943	3,943	22,000	27,882	5,882
Other	36,300	39,322	3,022	34,000	38,432	4,432
Transfers in	83,820	83,239	-581	149,470	150,791	1,321
Total Receipts	920,382	909,823	-10,559	879,420	967,584	88,164
DISBURSEMENTS						
County Commission	46,657	46,739	-82	45,410	44,978	432
County Clerk	73,831	70,657	3,174	74,076	61,925	12,151
Elections	38,752	38,399	353	20,874	25,703	-4,829
Buildings and grounds	56,775	47,147	9,628	41,460	42,697	-1,237
Employee fringe benefits	64,700	66,588	-1,888	59,400	65,163	-5,763
County Treasurer and Ex Officio County Collector	55,383	49,222	6,161	54,329	44,655	9,674
Circuit Clerk and Ex Officio Recorder of Deeds	24,933	26,292	-1,359	22,908	24,390	-1,482
Associate Circuit Court	7,000	4,353	2,647	5,450	4,555	895
Court administration	19,752	34,911	-15,159	12,965	9,767	3,198
Public Administrator	23,632	18,823	4,809	25,332	22,549	2,783
Sheriff	183,188	178,473	4,715	164,824	165,215	-391
Jail	99,438	79,002	20,436	79,784	80,534	-750
Prosecuting Attorney	55,021	52,458	2,563	52,055	51,397	658
Juvenile Officer	117,418	107,256	10,162	94,602	95,301	-699
County Coroner	7,350	7,305	45	8,100	6,300	1,800
Other	58,250	53,760	4,490	57,146	50,816	6,330
Transfers out	31,592	18,100	13,492	35,914	31,936	3,978
Emergency Fund	27,611	0	27,611	26,384	0	26,384
Total Disbursements	991,283	899,485	91,798	881,013	827,881	53,132
RECEIPTS OVER (UNDER) DISBURSEMENTS	-70,901	10,338	81,239	-1,593	139,703	141,296
CASH, JANUARY 1	735,279	735,279	0	595,576	595,576	0
CASH, DECEMBER 31	$ 664,378	745,617	81,239	593,983	735,279	141,296

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 38,723	38,724	1	33,750	33,756	6
Intergovernmental	630,824	594,537	-36,287	711,000	682,090	-28,910
Interest	12,000	12,007	7	14,000	10,490	-3,510
Other	1,000	9,820	8,820	3,000	3,426	426
Transfers in	0	0	0	0	4,140	4,140
Total Receipts	682,547	655,088	-27,459	761,750	733,902	-27,848
DISBURSEMENTS						
Salaries	102,014	102,014	0	97,144	97,144	0
Employee fringe benefits	18,000	16,228	1,772	21,000	17,190	3,810
Supplies	24,150	15,085	9,065	24,050	21,078	2,972
Insurance	6,200	5,325	875	6,200	5,253	947
Road and bridge materials	83,020	94,878	-11,858	160,000	177,079	-17,079
Equipment repairs	15,000	21,520	-6,520	10,000	25,147	-15,147
Rentals	500	0	500	500	25	475
Equipment purchases	21,360	16,035	5,325	51,360	50,045	1,315
Construction, repair, and maintenance	456,000	309,072	146,928	467,000	361,471	105,529
Other	6,100	3,835	2,265	6,100	9,542	-3,442
Transfers out	12,870	12,289	581	14,800	14,898	-98
Total Disbursements	745,214	596,281	148,933	858,154	778,872	79,282
RECEIPTS OVER (UNDER) DISBURSEMENTS	-62,667	58,807	121,474	-96,404	-44,970	51,434
CASH, JANUARY 1	197,804	197,804	0	242,774	242,774	0
CASH, DECEMBER 31	$ 135,137	256,611	121,474	146,370	197,804	51,434

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 103,978	94,608	-9,370	94,452	106,400	11,948
Interest	0	437	437	427	441	14
Other	400	525	125	1,000	816	-184
Transfers in	31,592	18,100	-13,492	33,614	17,400	-16,214
Total Receipts	135,970	113,670	-22,300	129,493	125,057	-4,436
DISBURSEMENTS						
Assessor	135,970	118,151	17,819	129,493	120,054	9,439
Total Disbursements	135,970	118,151	17,819	129,493	120,054	9,439
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-4,481	-4,481	0	5,003	5,003
CASH, JANUARY 1	5,060	5,060	0	57	57	0
CASH, DECEMBER 31	$ 5,060	579	-4,481	57	5,060	5,003

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,900	4,087	187	5,900	3,894	-2,006
Interest	70	174	104	80	61	-19
Other	0	0	0	0	4,000	4,000
Total Receipts	3,970	4,261	291	5,980	7,955	1,975
DISBURSEMENTS						
Sheriff	5,500	4,464	1,036	5,000	4,934	66
Total Disbursements	5,500	4,464	1,036	5,000	4,934	66
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,530	-203	1,327	980	3,021	2,041
CASH, JANUARY 1	4,294	4,294	0	1,273	1,273	0
CASH, DECEMBER 31	$ 2,764	4,091	1,327	2,253	4,294	2,041

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,000	715	-285	1,800	941	-859
Interest	150	150	0	150	158	8
Total Receipts	1,150	865	-285	1,950	1,099	-851
DISBURSEMENTS						
Prosecuting Attorney	1,395	681	714	2,140	1,480	660
Total Disbursements	1,395	681	714	2,140	1,480	660
RECEIPTS OVER (UNDER) DISBURSEMENTS	-245	184	429	-190	-381	-191
CASH, JANUARY 1	3,112	3,112	0	3,493	3,493	0
CASH, DECEMBER 31	$ 2,867	3,296	429	3,303	3,112	-191

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
AMBULANCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 390,000	366,222	-23,778	360,000	390,154	30,154
Charges for services	130,000	117,754	-12,246	120,000	132,639	12,639
Interest	8,500	9,630	1,130	5,000	8,856	3,856
Other	3,000	783	-2,217	3,000	2,698	-302
Total Receipts	531,500	494,389	-37,111	488,000	534,347	46,347
DISBURSEMENTS						
Salaries	295,250	278,561	16,689	289,530	276,831	12,699
Office expenditures	12,300	10,978	1,322	12,150	11,519	631
Equipment	104,500	17,266	87,234	115,750	104,934	10,816
Mileage and training	20,000	11,672	8,328	19,500	18,146	1,354
Employee fringe benefits	55,700	47,751	7,949	59,700	48,994	10,706
Other	48,000	8,313	39,687	0	9,187	-9,187
Transfers out	70,950	70,950	0	134,670	134,670	0
Total Disbursements	606,700	445,491	161,209	631,300	604,281	27,019
RECEIPTS OVER (UNDER) DISBURSEMENTS	-75,200	48,898	124,098	-143,300	-69,934	73,366
CASH, JANUARY 1	184,113	184,113	0	254,047	254,047	0
CASH, DECEMBER 31	$ 108,913	233,011	124,098	110,747	184,113	73,366

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,900	4,312	412	3,600	3,774	174
Interest	0	586	586	250	467	217
Total Receipts	3,900	4,898	998	3,850	4,241	391
DISBURSEMENTS						
Ex Officio Recorder of Deeds	2,960	1,259	1,701	2,460	2,217	243
Total Disbursements	2,960	1,259	1,701	2,460	2,217	243
RECEIPTS OVER (UNDER) DISBURSEMENTS	940	3,639	2,699	1,390	2,024	634
CASH, JANUARY 1	11,670	11,670	0	9,646	9,646	0
CASH, DECEMBER 31	$ 12,610	15,309	2,699	11,036	11,670	634

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,250	11,375	1,125	10,000	11,229	1,229
Interest	250	317	67	250	316	66
Total Receipts	10,500	11,692	1,192	10,250	11,545	1,295
DISBURSEMENTS						
Salaries	9,000	9,690	-690	9,000	9,487	-487
Other	250	746	-496	750	206	544
Transfer out	1,000	1,000	0	500	500	0
Total Disbursements	10,250	11,436	-1,186	10,250	10,193	57
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	256	6	0	1,352	1,352
CASH, JANUARY 1	7,306	7,306	0	5,954	5,954	0
CASH, DECEMBER 31	$ 7,556	7,562	6	5,954	7,306	1,352

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
9-1-1 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
9-1-1 Phone Tax	$ 90,100	89,480	-620	85,000	87,982	2,982
Interest	2,500	2,047	-453	3,500	2,608	-892
Other	0	406	406	0	30	30
Total Receipts	92,600	91,933	-667	88,500	90,620	2,120
DISBURSEMENTS						
Salaries	22,000	24,220	-2,220	17,000	21,744	-4,744
Supplies	24,000	1,281	22,719	1,400	29,603	-28,203
Equipment and repairs	8,050	27,464	-19,414	96,500	94,374	2,126
Debt service	13,950	13,950	0	13,950	13,950	0
Other	0	6,054	-6,054	0	1,355	-1,355
Total Disbursements	68,000	72,969	-4,969	128,850	161,026	-32,176
RECEIPTS OVER (UNDER) DISBURSEMENTS	24,600	18,964	-5,636	-40,350	-70,406	-30,056
CASH, JANUARY 1	37,938	37,938	0	108,344	108,344	0
CASH, DECEMBER 31	$ 62,538	56,902	-5,636	67,994	37,938	-30,056

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VICTIMS OF DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 500	475	-25	500	471	-29
Interest	30	19	-11	20	40	20
Total Receipts	530	494	-36	520	511	-9
DISBURSEMENTS						
Other	1,500	1,229	271	1,000	0	1,000
Total Disbursements	1,500	1,229	271	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-970	-735	235	-480	511	991
CASH, JANUARY 1	1,194	1,194	0	683	683	0
CASH, DECEMBER 31	$ 224	459	235	203	1,194	991

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 106,000	110,494	4,494	100,000	106,651	6,651
Intergovernmental	188,656	195,534	6,878	209,235	204,161	-5,074
Charges for services	29,700	31,142	1,442	6,000	18,344	12,344
Interest	11,000	12,494	1,494	10,000	11,427	1,427
Other	8,500	6,238	-2,262	17,565	4,123	-13,442
Total Receipts	343,856	355,902	12,046	342,800	344,706	1,906
DISBURSEMENTS						
Salaries	258,080	264,663	-6,583	244,830	254,384	-9,554
Supplies	8,400	9,002	-602	0	12,420	-12,420
Equipment	16,000	6,367	9,633	3,485	18,629	-15,144
Mileage and training	7,650	7,790	-140	11,650	8,918	2,732
Insurance	5,900	5,802	98	6,515	6,664	-149
Utilities	7,815	6,737	1,078	9,020	7,090	1,930
Other	14,475	19,895	-5,420	19,427	15,741	3,686
Total Disbursements	318,320	320,256	-1,936	294,927	323,846	-28,919
RECEIPTS OVER (UNDER) DISBURSEMENTS	25,536	35,646	10,110	47,873	20,860	-27,013
CASH, JANUARY 1	241,715	241,715	0	220,855	220,855	0
CASH, DECEMBER 31	$ 267,251	277,361	10,110	268,728	241,715	-27,013

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FAMILIES AND FRIENDS OF THE DEVELOPMENTALLY DISABLED FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 68,400	76,220	7,820	60,000	70,458	10,458
Intergovernmental	120	120	0	0	110	110
Interest	5,000	5,781	781	3,500	6,135	2,635
Other	300	1,586	1,286	220	317	97
Total Receipts	73,820	83,707	9,887	63,720	77,020	13,300
DISBURSEMENTS						
Board expenses	26,858	28,619	-1,761	19,767	22,387	-2,620
Service Programs	69,063	49,433	19,630	46,035	33,760	12,275
Total Disbursements	95,921	78,052	17,869	65,802	56,147	9,655
RECEIPTS OVER (UNDER) DISBURSEMENTS	-22,101	5,655	27,756	-2,082	20,873	22,955
CASH, JANUARY 1	146,126	146,126	0	125,253	125,253	0
CASH, DECEMBER 31	$ 124,025	151,781	27,756	123,171	146,126	22,955

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG AWARENESS AND RESISTANCE EDUCATION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 40	26	-14
Other	600	610	10
Total Receipts	640	636	-4
DISBURSEMENTS			
Supplies	800	622	178
Total Disbursements	800	622	178
RECEIPTS OVER (UNDER) DISBURSEMENTS	-160	14	174
CASH, JANUARY 1	468	468	0
CASH, DECEMBER 31	$ 308	482	174

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 320	255	-65
Other	3,300	2,549	-751
Total Receipts	3,620	2,804	-816
DISBURSEMENTS			
Supplies	200	486	-286
Equipment	1,400	339	1,061
Training	1,700	40	1,660
Total Disbursements	3,300	865	2,435
RECEIPTS OVER (UNDER) DISBURSEMENTS	320	1,939	1,619
CASH, JANUARY 1	5,799	5,799	0
CASH, DECEMBER 31	$ 6,119	7,738	1,619

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Families and Friends of the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Circuit Clerk Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Child Care Fund	1998 and 1997
Private Tutoring Fund	1998 and 1997
Project Mentoring Fund	1998 and 1997
Drug Awareness and Resistance Education fund	1997
Local Emergency Planning Committee Fund	1997

Division of Youth Services Intensive Probation Fund	1998 and 1997
St. Lukes Grant Fund	1998 and 1997
Law Enforcement Block Grant Fund	1998

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Bad Check Fund	1998
9-1-1 Fund	1998 and 1997
Health Center Fund	1998 and 1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	1998 and 1997
Families and Friends of the Developmentally Disabled Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The deposits of the Health Center Board at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

The deposits of the Families and Friends of the Developmentally Disabled Board at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $147,299 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $82,026. As of December 31, 1998, $30,762 remains to be paid.

4. Year 2000 Issue

Grundy County has projected, planned for, and budgeted for changes in our computer system to ensure year 2000 compliance dating back to 1997. The hardware for the property assessment, tax collection, fund accounting, and payroll was replaced in 1998. The old system was in need of replacement regardless of year 2000 considerations. Two personal computers that are used as work stations which were not replaced have been tested and modified as necessary for year 2000 compliance. Our software vendor has provided written assurance that the software currently used has been revised or is scheduled to be revised to allow for all known Year 2000 issues. These revisions are covered by our software maintenance agreement at no additional charge.

Supplementary Schedule

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER00458137	$ 34,988	36,739
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
12.unknown	Department of Public Safety - Surplus property	N/A	652	6,772
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	ER01640166	5,000	5,000
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	0	1,256
	Passed through:			
	State Department of Public Safety -			
16.6	Local Law Enforcement Block Grants Program	97-LBG-037	6,859	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,244	2,071
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-040(14)	0	159,336
		BRO-040(16)	114,826	15,290
		BRO-040(17)	15,349	0
	Program Total		130,175	174,626
	Department of Public Safety -			
20.6	State and Community Highway Safety Program-Speed Enforcement Grant	97-PT-02-57	0	1,673

	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	4,134	2,902

::

	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Social Services -			
93.6	Homeless Challenge Program Grant	N/A	12,766	12,766
93.3	Department of Health - Immunization Grants	N/A	5,190	5,310
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	2,314	0
93.7	Social Services Block Grant	ERO172022	19,811	2,234
		ERO172023	18,411	2,472
	Program Total		38,222	4,706
	Department of Health -			
94.0	Preventive Health and Health Services Block Grant	AOC8000073	27,611	34,000
94.0	Maternal and Child Health Services			
	Block Grant to the States	ERO01467139	14,350	17,792
	Total Expenditures of Federal Awards		$ 283,505	305,613

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

GRUNDY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Grundy County, Missouri, except for the programs accounted for in the Grundy County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended September 30, 1998 and 1997.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and U.S. Department of Defense Surplus Property (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 1998	1997
14.231	Emergency Shelter Grants Programs	5,000	5,000
93.569	Homeless Challenge Grant Program	12,766	12,766

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Grundy County, Missouri

Compliance

We have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Grundy County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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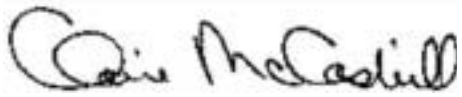
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Grundy County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Grundy County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 6, 1999 (fieldwork completion date)

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness identified? _____ yes __X__ no

Reportable condition identified that is not considered to be a material weakness? _____ yes __X__ none reported

Noncompliance material to the financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes __X__ no

Reportable condition identified that is not considered to be a material weakness ? _____ yes __X__ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes __X__ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

GRUNDY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

GRUNDY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Findings

GRUNDY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT FINDINGS

We have audited the special-purpose financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 6, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 6, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Grundy County Public Housing Agency is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the years ended September 30, 1998 and 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than

those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Grundy County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Budgetary Practices and Published Financial Statements

A. Budgets were not prepared for some county funds for the years ended December 31, 1998 and 1997. While some of these particular funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions.

Chapter 50, RSMo 1994, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

B. Actual expenditures exceeded budgeted amounts for the Prosecuting Attorney Bad Check Fund for the year ended December 31, 1998, by $1,186, and the 9-1-1 Fund for the years ended December 31, 1998 and 1997, by $4,969 and $32,176, respectively. Budget progress reports are generated periodically and provided to the various county officials. However, it appears the county's procedures and reports are not resulting in effective monitoring of some budgets.

It was ruled in State ex rel. Strong V. Cribb 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cumulative. Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

C. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Similar conditions were noted in our prior audit report.
WE AGAIN RECOMMEND the County Commission:

A. Prepare and/or obtain budgets for all county funds as required by state law.

B. Keep expenditures within the budgetary limits. If necessary, extenuating circumstances should be fully documented and budgets properly revised and filed with the State Auditor's office.

C. Ensure financial information for all county funds is properly reported in the published financial statements.

AUDITEE'S RESPONSE

A. We will ask other officials for budgets for funds controlled by them and maintain documentation of these requests in our meeting minutes.

B. We will monitor the budgets more closely and attempt to comply with this recommendation.

C. We will request the necessary financial information from other departments and publish the information obtained.

2. Personnel Policies and Public Administrator's Compensation

A. The county's overtime and compensatory time policies do not address current practices of the ambulance service. While there is a policy that was adopted in 1992, the county indicated it is no longer in effect. However, no new written policies and procedures specific to the ambulance service have been established. Because the ambulance service practices differ from other county departments and ambulance service employees incur significant pager pay and overtime costs, it is imperative that written policies addressing work schedules, on-call time, and overtime and the related compensatory time or pay be in place.

Employees of the ambulance department alternate regular work weeks of 36 hours and 48 hours. The county normally pays the employees for eight hours of overtime at the time and one-half rate for the hours in excess of 40 hours during the 48-hour work week. The employees receive this overtime compensation even when absent due to illness or vacation during the 48-hour work week. The county's practice is inconsistent with overtime determination methods utilized for other county employees. As a result, the county is incurring more in overtime costs than may be necessary and is allowing inconsistent treatment of employees.

The written personnel policies of the county should address whether sick or vacation leave by ambulance employees is to be considered when determining overtime

worked. Complete and detailed written policies are necessary to provide guidance to county employees and provide a basis for proper compensation. In addition, such policies should be uniformly applied to ensure each employee is treated equitably and that similar situations are handled consistently.

B. The Sheriff submits a monthly payroll sheet to the County Clerk showing each employee's monthly salary and any overtime to be paid. Payroll checks are prepared based upon this record. Detailed timesheets are subsequently prepared by Sheriff's department employees and submitted to the County Clerk. We noted some discrepancies between overtime hours reflected on the payroll sheet and the corresponding timesheet. Because the monthly payroll sheet and subsequent timesheets are not reviewed and compared, such discrepancies cannot be detected by the county and could not be explained by the Sheriff. The County Clerk and Sheriff need to implement a procedure to compare payroll sheet information to detailed timesheet information. Any discrepancies should be resolved and payroll adjusted as necessary.

C. The Grundy County Salary Commission has the statutory authority to set salaries of the county's elected officials. County officials' salaries are based upon the county's assessed valuation, population, training attendance, or a combination of these factors. During the 1995 and 1997 meetings, the salary commission set the salaries of the county officials at 100 percent of the maximum allowable compensation effective at the beginning of each official's next term.

Section 473.739, RSMo provides for public administrators to receive annual compensation of $4,000 if they do not receive at least $25,000 in fees. In addition, the salary commission has the authority to award up to $10,000 additional salary. At the November 1995 meeting the salary commission authorized an additional increase in annual compensation of $6,000 for the Public Administrator, bringing his total annual compensation (excluding fees) to $10,000. This salary took effect with the Public Administrator's term of office beginning in 1997. At the first November 1997 salary commission meeting questions came up regarding the Public Administrator's salary. The salary commission reconvened for a second November 1997 meeting and the meeting minutes indicated the Public Administrator's maximum salary was clarified to be $14,000. The Public Administrator's salary was revised. November and December 1997 payments were increased so that he received the $14,000 for 1997. No written legal opinion was obtained to support the appropriateness of the change in the Public Administrator's salary and the salary commission documentation regarding why this decision was made is inadequate.

The County Commission should review this situation with the Prosecuting Attorney and ensure all future salary commission decisions are thoroughly documented.

WE RECOMMEND the County Commission:

A. Establish a formal written policy regarding overtime of ambulance department employees.

B. Work with the County Clerk and Sheriff to implement procedures to compare various payroll records and ensure the accuracy of overtime payments.

C. Consult with the Prosecuting Attorney regarding the propriety of the Public Administrator's salary. Salary Commission minutes should clearly document all decisions made, include calculations of the salary amounts, and include written opinions from the Prosecuting Attorney as applicable.

AUDITEE'S RESPONSE

A. The County Commission provided the following response:

We have already changed some procedures and a new formal policy will be developed to cover these issues.

B. The County Commission provided the following response:

This recommendation has been implemented.

The Sheriff provided the following response:

Employees have been reminded of the importance of preparing complete and accurate timesheets, and I hope this action will rectify the situation.

C. The County Commission provided the following response:

We discussed this situation with the Prosecuting Attorney at the time and obtained his advice, but did not receive a written opinion. We do not plan to pursue this particular issue further. Documentation of future Salary Commission meetings and decisions will be improved.

The Public Administrator provided the following response:

The Salary Commission voted to give 100 percent salaries in its first November 1997 meeting. This was interpreted by the Prosecuting Attorney to mean the Public Administrator's salary should be $14,000 at the subsequent Salary Commission meeting. Then, and only then, did the Salary Commission make the clarification decision.

3. Property Tax System and Computer Controls

The property tax computer system utilized by the county is linked to the County Clerk's office, the Ex Officio Collector's (EOC) office, and the Assessor's office.

A. Addition and abatement court orders are prepared by the County Clerk's office (based upon information from the Assessor) and approved by the County Commission. Change forms are prepared from the court order information and provided to the Ex Officio Collector's office. Changes to the computerized property tax system for additions and abatements are to be made by the County Clerk's office. In the event the County Clerk's office is unavailable to make these changes, the EOC makes the changes in the computer system. Her password does not restrict her ability to change data in the computer system. There is no independent and subsequent comparison of approved court-ordered additions and abatements to actual changes to the property tax data or to amounts reflected on the EOC's annual settlement. The EOC's ability to make these changes, together with the lack of review by the County Clerk and County Commission, significantly weakens controls over the collection of taxes.

   Section 137.260 RSMo 1994, requires that the tax book only be changed by the clerk of the county commission under order of the County Commission.

   One method to accomplish this independent and subsequent review would be to generate periodic reports of changes to property tax files, which include transactions such as court-ordered additions and abatements. These reports would provide documentation and allow independent review of changes made. Such changes could be reviewed for possible irregularities and trends and to verify the accuracy, validity, and completeness of any changes made to property tax accounts. The county's computer system has the capabilities to generate these change reports; however, such reports are not being generated and reviewed.

B. Passwords are used, but are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords effectively limit access to the property tax data files and programs to only those individuals who need access for completion of job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.

Similar conditions were noted in our previous two reports.

WE RECOMMEND the County Commission:

A. Establish controls so that the EOC does not enter abatements or additions into the property tax system or ensure that independent, subsequent comparison of these changes to court orders is performed. Consideration should be given to generating periodic reports of changes to files and requiring independent reviews of the reports to be performed and documented.

B. Ensure that passwords are changed periodically.

AUDITEE'S RESPONSE

A. This recommendation will be implemented.

B. We believe current procedures are adequate to protect data files and programs. However, we will continue to monitor this area and, if it is determined that changes would be beneficial, then changes will be made.

4. Tax Increment Financing and Property Tax Collections

A. In 1997, the county entered into a Tax Increment Financing Agreement (TIF) with the city of Trenton. The Trenton Township Collector withholds collection and assessment fees from the payments in lieu of taxes (PILOT) related to the municipal tax increment financing project. There was no specific mention in the contract whether such assessment and collection fees could be retained. In addition, whether public officials may take commissions on PILOTs is not clearly addressed by state law. Commissions totaling approximately $490 were retained by the township collector for the two years ended February 28, 1999. Assessment fees totaling $311 were withheld and paid into the county Assessment Fund for the year ended February 28, 1999.

B. In December 1997, a local bank made a $4,303 payment to the Trenton Township Collector for taxes on real estate owned by the bank. This payment was erroneously applied to several other properties owned by one taxpayer, but not the bank or its mortgagors. The total current property tax liability of these properties was $2,265. After contacting the Ex Officio County Collector (EOC) and determining there were also delinquent taxes due on these properties, the Trenton Township Collector transmitted the remaining $2,038 to the EOC for application to those delinquencies. The EOC marked those properties paid without requiring tax statement copies or contacting the bank to clarify the situation. The properties to which the tax payments were erroneously applied sold in April 1998. In July 1998 the EOC sent a delinquent tax notice to the local bank regarding the original $4,303 tax statement liability since this property showed as unpaid on the tax books. In response, the bank notified the EOC of the error and later (September 1998) notified the county Prosecuting Attorney in writing of the situation and that it expected corrective action on the part of the county. The local bank has since paid its 1998 property taxes on the abovementioned property. The 1997 real estate tax continued to be shown as unpaid in the county's back tax records until June 15, 1999, when the County Commission authorized the abatement of this tax liability.

According to the EOC, the misapplication of the $4,303 payment in December 1997 has resulted in some political subdivisions being over or under paid. However, due to the erroneous handling of these transactions and the change in ownership of properties incorrectly shown as paid, the county apparently failed to collect

approximately $4,303 in back taxes, which are due to the various political subdivisions levying taxes within the Trenton Township. In addition, because of the erroneous handling of these transactions, the sale of the properties, and the various parties involved, it appears the county's actions to resolve this situation may not be satisfactory and various legal questions may exist.

WE RECOMMEND the County Commission:

A. Review the practice of retaining fees on the collection of PILOT monies with the County Prosecuting Attorney to ensure monies are being properly distributed to the TIF project fund.

B. Work with the Ex Officio County Collector, the Prosecuting Attorney, and the Trenton Township Collector to resolve any legal questions regarding this issue. In the future, the Ex Officio County Collector should not accept monies and show properties as paid without first obtaining the proper paperwork and resolving any questions.

AUDITEE'S RESPONSE

A. The County Commission provided the following response:

We will review this with the Prosecuting Attorney and make changes if necessary.

B. The County Commission provided the following response:

Based on the information available at the time, we believe the appropriate decision was made. We do not plan to reconsider this decision.

The Ex Officio County Collector provided the following response:

The Township Collector's assistant called me about the back taxes and told me who the payment was from. Based on this information I marked the related properties as paid and mailed paid tax receipt copies to the entity I had been told the payment was from. I had no way of knowing the payment was from the bank. The bank did not get the proper paid tax receipt copies back for their payment. Had they realized this and let someone know, the error could have been corrected.

Since this happened the Township Collector has begun putting a notice in the tax bills requesting taxpayers send a tax bill copy along with their payment so the money will be credited to the right property. This was an unusual situation and in the future I will not accept such payments without first obtaining the proper information.

I am sorry for the mistake. If this would have been brought to our attention before April 1998 when the properties were sold, we could have collected these back taxes.

5. Public Administrator

The Public Administrator is the court appointed personal representative for wards of the Associate Circuit Division. He is responsible for properly receiving, disbursing, and accounting for the assets of those individuals. During the two years and three months ended March 31, 1999, the Public Administrator filed settlements on 19 cases with total reported receipts and disbursements of approximately $314,000 and 492,000, respectively.

As discussed in our prior audit report and as noted for the current audit period, the Public Administrator has frequently been late in filing annual settlements and the Associate Circuit Court has not established adequate monitoring procedures or been diligent in its efforts to ensure settlements are filed timely. From our review of the Public Administrator's settlements and the related documentation, it is apparent that supporting documentation or explanation is not available for numerous expenditures. Again, there was no evidence in the case files to indicate satisfactory actions were taken by the Associate Circuit Court in response to insufficient records.

Basic recordkeeping procedures were not performed properly and some transactions were handled using unusual methods. The following concerns with the records and procedures were determined.

A. For twelve cases, settlement periods ranged from 13 to 31 months. Section 473.540, RSMo 1994, requires settlements to be filed annually. Timely settlements are necessary for the court to properly oversee the administration of these cases and lessen the possibility that errors or misuse of funds could go undetected.

   A similar condition was noted in our prior audit report.

B. Concerns were brought to our attention by the Prosecuting Attorney and Associate Circuit Judge regarding one case in particular. Settlements for this case pertaining to late April 1996 to early February 1999, reflected total receipts and disbursements of approximately $22,500 and $58,000, respectively. Our review of these settlements determined numerous and significant procedural and documentation problems.

   1) The assets (bank accounts) of this ward totaled approximately $96,000 when the current Public Administrator was appointed as guardian and conservator in January 1993. Disbursements for insurance, medical supplies and treatment, utilities, groceries, and other expenses significantly exceeded interest earnings and the account balances were essentially depleted in September 1997. Since then the ward has received financial support from various public assistance programs. Several bank service charges (totaling

$119) were incurred as a result of insufficient funds checks written on this ward's account. Penalties were incurred for late payment of the ward's property taxes. Notices from the state Department of Social Services, Division of Family Services reported unused food stamp benefits. While these events themselves did not cause the significant decline in assets, they contributed to an already declining financial trend and were clear indicators of problems that should have been more thoroughly questioned by the court. Had more care been taken by the Public Administrator these unnecessary expenditures might not have been incurred. In addition, assistance benefits totaling approximately $1,050 might not have been exposed to the risk of loss. It appears the Public Administrator did not properly monitor, control, and document the account balances and transactions of the ward. This declining financial trend should have been addressed by the Associate Circuit Court so that alternatives and opportunities for improved fiscal management could have been implemented.

2) The Public Administrator provides a substantial amount of spending money to this ward. In April 1995 the court authorized the Public Administrator to pay $100 per week to the ward for the purchase of groceries and incidentals. These allowance payments totaled $15,943 from late April 1996 to early February 1999 and were provided to the ward in various methods and did not always comply with the court order. Allowance payments totaling $11,216 were provided by a check written directly to the ward. Allowance payments were sometimes made by writing checks to a local grocery store. These checks, which totaled $3,675, were apparently given to the ward who then used them to purchase merchandise from the grocery store and retain any change. The Public Administrator said he requested the ward provide him with the related receipt; however, we noted several instances where these were not available in the records. While these allowance payments were usually made approximately every week, the amounts varied from about $25 to $175.

The Public Administrator frequently purchased cigarettes for the ward at two local convenience stores. A review of these checks indicated they were often written for $10 to $20 more than the price of the cigarettes. The Public Administrator explained that the cigarettes and any change from the purchase were then given to the ward. However, there was no signed receipt from the ward or other evidence to support the cash given to the ward. Additionally, paid receipts from the merchant to support the purchase were not always retained. These disbursements totaled approximately $1,052.

The $100 monthly allowance approved by the court in April 1995 was intended to cover the ward's costs related to groceries and incidental expenses. If the Public Administrator believed an increased spending

allowance was needed, he should have sought the approval of the court prior to making any additional disbursements.

3) Checks totaling $274 were written to a local restaurant for meals for the ward and his family members. These checks were not supported by any paid receipts and did not appear to be written for the exact meal cost.

Documentation should be retained for all support transactions made on behalf of the ward to provide assurance that assets of the wards have been used appropriately. Allowances for the wards should be made in accordance with the court order and by check payable directly to the ward and should be signed for by the ward to better ensure proper accountability of estate assets. The Public Administrator's methods do not provide adequate supporting documentation or any assurance that monies were utilized by the ward as intended.

4) The Public Administrator made reimbursements to himself totaling $481. He indicated he had made personal cash loans to the ward when monies were not available in the bank account. There was no documentation providing evidence that these loans were actually made. Better estate asset management and communication with the court should make such situations unnecessary.

5) The Public Administrator did not always properly prepare bank reconciliations or monitor the account balance of the ward. We noted instances where the bank reconciliation was incomplete or poorly documented. Complete and thorough bank reconciliations are an important aid in monitoring the account balances and ensuring that the bank balances and carrying balances are in agreement. In addition, prompt and adequate reconciliations should help eliminate the occurrence of bank service charges as previously mentioned.

In January 1999 the newly elected Associate Circuit Judge removed the Public Administrator as guardian and conservator for this ward.

C. Because of the serious problems noted with the previously discussed case, we identified other cases with similar situations (ie., ward living somewhat independently and receiving allowance payments from the Public Administrator), late settlements, and/or significant disbursement amounts. For six more cases we reviewed settlements filed during the two years and three months ended March 31, 1999. Receipts and disbursements reflected on these settlements totaled approximately $129,000 and $183,000, respectively. Our review of these six cases revealed similar concerns to those noted in part B. and some additional concerns.

The following represent similar transactions to those discussed above:

- Allowance payments and payments to wards for other expenses (ie., trips taken, shopping, etc.) totaled $27,596. There was no evidence in some of

these case files that the periodic allowance amounts were approved by the court. For those cases where there was a court order authorizing the allowance amount and frequency, the amounts paid to the wards often varied from one payment to the next and did not always comply with the court's order. Several instances were noted where the Public Administrator endorsed and cashed the checks to wards and indicated he provided the cash to them. There was no receipt signed by the ward or other evidence to support the cash given to the ward.

- We noted numerous checks written to local convenience stores, a local restaurant, and a local grocery store. For many of these the settlement provided little or no description of the purpose of the disbursements and there was no supporting documentation. In addition, many of the checks were written for more than the cost of the merchandise. According to the Public Administrator the merchandise and cash were provided to the ward; however, there was no documentation to verify this. These disbursements totaled $2,078.

- The Public Administrator made reimbursements to himself totaling $340. He indicated he had made personal cash loans to the ward when monies were not available in the bank account. There was no documentation providing evidence that these loans were actually made.

- We noted numerous bank service charges totaling $176.

In addition, for one case reviewed the ward received checks totaling $5,520 for work he performed at a mental health facility. The Public Administrator received cash back totaling $954 from the deposit of these checks. The settlement description indicated these cash amounts were obtained for the ward. However, there was no documentation to verify this handling.

The court has requested additional documentation to support some disbursements reported by the Public Administrator on settlements filed in March 1999 and has not yet approved the settlements.

Given the significant concerns and weaknesses noted in the Public Administrator's procedures, the Associate Circuit Division should continue to carefully review all future settlements and request additional documentation or explanation when necessary. Procedures for providing periodic allowance payments to wards should be developed and allowance amounts should be re-evaluated and formally established by the court. In addition, the Associate Circuit Division should require the Public Administrator to write checks for only the amount of the purchase and ensure there is an invoice or paid receipt to accompany all transactions. Obtaining cash back from deposits should be prohibited. The Associate Circuit Division should re-evaluate all questionable transactions and supporting

documentation provided, if any, and make a decision regarding whether to require any reimbursements to wards' by the Public Administrator.

D. The Public Administrator submits a quarterly mileage reimbursement claim to the county for miles traveled related to wards assigned to him (for example, trips made to a doctor or hospital, to visit a ward living a substantial distance from the county seat, etc.). Our review of these reimbursements indicated that some mileage claims related to cases for which the Public Administrator handles no assets, while others pertained to cases for which the Public Administrator does handle monies. Mileage reimbursements from the county General Revenue Fund to the Public Administrator totaled $3,076 and $2,419 for the two years ended December 31, 1998 and 1997, respectively. For the settlements reviewed, we noted no claims made by the Public Administrator for mileage reimbursements. For those cases where the Public Administrator handles assets, it is not clear why these costs are being assessed to the county rather than the specific case to which they pertain.

E. The Public Administrator is required to report to the county the amount of fees he receives. This information is used by the county to properly meet payroll and Internal Revenue Service reporting requirements and to determine whether he is entitled to the additional salary authorized by Section 473.739, RSMo Cumulative Supp. 1998.

   The Public Administrator received fees from the various cases totaling $4,497 and $3,182 for the years ended December 31, 1998 and 1997, respectively. However, he only reported fees of $700 and $900 to the county for the years ended December 31, 1998 and 1997, respectively. Failure to properly report fees earned to the county, results in the county understating wages on his W-2 and possible violation of various employment tax withholdings and reporting requirements.

   While it appears the unreported fees did not affect his additional salary under Section 473.739, RSMo Cumulative Supp. 1998, for the two years ended December 31, 1998, the Public Administrator should ensure all fees received are properly reported to the county.

The Public Administrator has a fiduciary responsibility to ensure all monies and other property of individuals or estates under his administrative control are protected and accounted for properly. It does not appear he is fulfilling this responsibility.

WE RECOMMEND:

A. The Associate Circuit Judge establish procedures to adequately monitor the timely filing of annual settlements.

B&C. The Associate Circuit Judge establish formal settlement review procedures and ensure that all problematic transactions are formally followed up on with the Public Administrator. Any requests for documentation should be documented. In addition,

the Associate Circuit Judge needs to formally establish the frequency and amounts of spending monies to be provided to each ward and ensure the Public Administrator is adhering to the court's orders. The Associate Circuit Judge should consider requiring reimbursement by the Public Administrator to the various wards' accounts for any unnecessary costs incurred (such as bank service charges) and/or for any questionable disbursements for which adequate support is not produced for the court.

The Associate Circuit Judge require the Public Administrator:

1. To better monitor wards' assets and bring concerns to the court's attention in a timely manner. In addition, the Public Administrator needs to ensure that public assistance programs are enrolled in when appropriate and that the ward is utilizing them.

2&3. To make allowance payments to the wards in accordance with the court's orders by check payable directly to the ward and obtain signed receipts to document receipt of the monies by the ward. In addition, the court needs to require checks to be written for the amount of purchase only and require adequate documentation (such as paid receipts or invoices) to be filed or made available to support all settlement transactions.

4. To prepare complete bank reconciliations monthly and monitor the account balances to avoid unnecessary bank charges.

D. The Associate Circuit Judge work with the Public Administrator and County Commission to reconsider the appropriateness of assessing mileage costs to the county's General Revenue Fund in those cases where a ward's assets are sufficient to bear the costs.

E. The Public Administrator report all fees received to the County Clerk.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following response:

The Grundy County Associate Circuit Judge, shortly after beginning his term on January 1, 1999, reviewed all current and active probate cases with the Probate Clerk. At that time, the court established and implemented policies and procedures to monitor and ensure annual settlements and reports were filed in a timely fashion. Also, at that time, efforts were made to obtain settlements in those files where settlements and/or reports were due or past due.

The court has diligently reviewed and scrutinized each annual settlement filed with the court since January 1, 1999. This procedure, as set forth in the audit report, resulted in the removal of the Grundy County Public Administrator as the guardian/conservator for a particular ward.

The Grundy County Associate Circuit Judge will continue to implement settlement review procedures requiring adequate support and proof that disbursements are appropriate and necessary for the benefit of each particular ward. In addition, the court will consider requiring the reimbursement by the Public Administrator to the various ward's accounts any unnecessary cost incurred to the ward because of questionable disbursements or disbursements without adequate support.

In addition, it is the court's position that all checks for allowances for the wards will be paid directly to the ward and signed by the ward, to ensure that the monies are being utilized for the ward's benefit.

The Public Administrator provided the following responses:

A. The settlements were indeed slow and I accept responsibility for this. I will make a greater effort in the future to make sure the annual reports are turned in to the attorneys on a more timely basis.

B.&
C.1. The ward refused to accept the aid from the state and I made the mistake of not making him.

2. Allowance payments have been discussed with the court; however, written authorization was not always obtained.

3. Documentation is and will be used for all future disbursements to my wards when they receive direct payments from my office.

4. Starting in 1998 the court told me what they expected on my bank reconciliations. I am trying to abide by their rules.

D. The mileage that I receive for my care of all my wards is put into my annual budget and either approved or disapproved by the County Commission each year. None of the wards that I have to drive out of the county has the funds to support a charge of any kind to them. Their monies should be used exclusively for them and costs I incur in performing my responsibilities should be reimbursed by the county as for other elected officials.

E. It is my responsibility to turn fees over to the county. In the future whatever fees I receive will be given to the county for accountability and payroll purposes.

The County Commissioners provided the following response:

D. We will confer with the Associate Circuit Judge and Public Administrator and establish a policy to address this issue.

6. Prosecuting Attorney

The Prosecuting Attorney collects bad check and court-ordered restitution monies. For bad check restitution, the Prosecuting Attorney's policy is to require the offender to remit two money orders, one payable to the merchant for restitution and one payable to the County Treasurer for the bad check administrative fee. All bad check payments are to be recorded in a sequential log. If bad check payments are made in cash, or money orders are made payable to the Prosecuting Attorney, these monies are handled through the official bank account. Court-ordered restitution payments are recorded in individual detailed accounts receivable records, in the check register, and handled through the official bank account.

A. A system to account for all bad checks submitted to the office for collection and their disposition has not been established. To ensure all bad checks are properly handled and accounted for, a log should be maintained showing each bad check and its disposition.

B.1. Receipt slips are only issued for bad check and/or court-ordered restitution monies when payments are made in cash or when requested by the payor. Receipt slips should be issued for all monies received. The method of payment (cash, check, or money order) and indication of whether the monies were deposited or transmitted directly should be provided on these receipt slips. The numerical sequence of receipt slips should be accounted for and monies deposited and/or transmitted should be reconciled to the corresponding receipt slips.

2. Monies received are not always recorded and processed in a timely manner. During a cash count conducted December 22, 1998, we noted that of the money orders on hand totaling $736, only $25 had been posted to the bad check payment log. The remaining money orders totaling $701 were not posted to the bad check payment log until about one week after receipt. The date money orders were recorded rather than the actual date of receipt is documented on the log. An immediate record of receipt which reflects the actual date of receipt is necessary to properly document and account for all monies received. In addition, we noted that deposits are made approximately once a week regardless of the date monies are received. To adequately safeguard monies and reduce the risk of loss or misuse of funds, receipts should be recorded and deposited daily or when accumulated receipts exceed $100. The receipt records should reflect the actual date monies are received.

C. An open items listing has not been prepared since the new Prosecuting Attorney took office. The carrying balance of his bank account on February 16, 1999, was $630. Monthly listings of open items should be prepared and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Establish a system to account for all bad checks submitted to his office and their disposition.

B.1. Issue receipt slips for all monies received.

2. Record and deposit receipts daily or when accumulated receipts exceed $100.

C. Prepare a monthly open items listing and reconcile it to the cash balance.

AUDITEE'S RESPONSE

A. Each check that is delivered to my office for collection has a "bad check notice" sent to the maker of the check. A record of each notice is in the computer and a list can be printed out from the computer.

B.1. A prenumbered receipt is now being issued on all payments on bad checks and court-ordered restitution.

2. As payment is received for court-ordered restitution, a stamp endorsement is made on the check or money order. Cash is rarely received, but if cash is received it is deposited daily. Money orders and checks may not be deposited daily due to workload of the secretary and banking hours.

C. An open items list is now being prepared manually each month when the bank statement is reconciled.

7. Assessor's Accounting Controls and Procedures

The Assessor's Office collects money from the sale of county maps. According to receipt slips issued by the Assessor's office, collections totaled approximately $465 and $600 during the years ended December 31, 1998 and 1997, respectively. The Assessor's Office occasionally mails maps to customers when requested and bills for the amounts due. We noted the following weaknesses in controls over these collections.

A. Receipt slips are not issued for some monies received; receipt slips issued are not always complete regarding method of payment; and some receipt slips could not be located.

To ensure that all monies received are properly accounted for, receipt slips should be issued for all monies received, should include complete information regarding the transaction, and the numerical sequence of receipt slips should be accounted for.

B. Follow-up on unpaid billings is not routinely conducted. To ensure that monies due are collected, unpaid billings should be periodically reviewed and subsequent billings issued, if necessary.

WE RECOMMEND the County Assessor:

A. Issue prenumbered receipt slips for all monies received, fully document each transaction, and account for the numerical sequence of all receipt slips.

B. Follow-up on unpaid billings periodically.

AUDITEE'S RESPONSE

The Grundy County Assessor's office has received your recommendations and taken action on them. We have implemented the changes in our office as outlined and they are now standard practice.

8. Health Center

A. Actual expenditures exceeded budget amounts for the year ended December 31, 1998 and 1997, by $1,936 and $28,919, respectively.

It was ruled in State ex rel. Strong V. Cribb 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cumulative Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

A similar condition was noted in our prior audit report.

B. The Health Center Board does not issue receipt slips. Rather, monies received are recorded on a ledger by one clerk, then transmitted to another clerk for data entry and depositing. Our review of the ledger indicated it does not always include all transactions. In addition, no reconciliation is performed between the ledger and subsequent deposits. To help ensure that all monies are properly accounted for, prenumbered receipt slips indicating the method of payments received should be issued for all monies received. The numerical sequence of receipt slips should be

accounted for and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

WE RECOMMEND the Health Center Board:

A. Keep expenditures within the budgetary limits.

B. Issue prenumbered receipt slips for all monies received.

AUDITEE'S RESPONSE

The Health Department Administrator provided the following responses:

A. The Grundy County Health Department will keep expenditures within the budgetary limits. In future situations, amendments to the annual budget will be made when actual expenditures exceed the budgeted amount.

B. The Grundy County Health Department currently provides a monthly breakdown of services provided and monies received in the Quicken system. Further, we have implemented a manual ledger for recording all birth and death certificate numbers issued, which in turn, balances to the Quicken monthly report. I believe this system is sufficient in tracking cash flow. If this process is sufficient, implementation of the prenumbered receipt slips will not be necessary.

9. Families and Friends of the Developmentally Disabled Board

The Families and Friends of the Developmentally Disabled (FFDD) Board contracts with a Director to manage its operations. In 1998, the FFDD paid a bonus of $200 to the Director. There was no indication in the payroll records that this payment was compensation for additional hours worked. This payment represents an additional payment for services previously rendered and, as such, is in violation of Article III, Section 39 (3) of the Missouri Constitution, which prohibits counties from granting extra compensation to an official or employee after service has been rendered.

WE RECOMMEND the Families and Friends of the Developmentally Disabled Board discontinue the practice of paying bonuses to the Director.

AUDITEE'S RESPONSE

The Families and Friends of the Developmentally Disabled Director provided the following response:

It is the intention of Families and Friends of the Developmentally Disabled to comply with the audit recommendation of discontinuing the practice of providing a bonus to the Director.

This report is intended for the information of the management of Grundy County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

GRUNDY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Grundy County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. County Expenditure Procedures and Agreements

   A. The county did not always take advantage of purchase discounts offered by vendors.

   B. The County Commission did not always obtain and review supporting documentation for expenditures.

   C. The county did not have a written agreement with the Prosecuting Attorney detailing the manner for sharing the costs of personnel and equipment between the county and the private law practice of the Prosecuting Attorney. Time sheets of employees in the Prosecuting Attorney's office were not submitted to the county.

   D. The county did not have written contracts for mutual aid agreements with volunteer ambulance and rescue units.

   E. The Sheriff did not document his review and approval of time sheets of the employees of the Sheriff's Department.

   F. The county paid bonuses to employees of the Sheriff's Department.

   Recommendation:

   The County Commission:

   A. Establish procedures to take advantage of purchase discounts when available.

   B. Obtain and review vendor invoices and detailed mileage statements from officeholders before approving payment or reimbursement.

   C. And the Prosecuting Attorney formalize this arrangement and prepare documentation of the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between his county and private practice resources and work. Employees should prepare time sheets documenting the amount of time spent on county-related activities and submit the time sheets monthly to the county.

   D. Execute written agreements with the ambulance and rescue units.

E. Ensure the Sheriff is documenting his approval of employee time sheets.
F. And the Sheriff discontinue the practice of granting additional payments to employees in the form of bonuses after services have been rendered.

Status:

A,D,
E&F. Implemented.

B. Partially implemented. The County Commission now obtains and reviews vendor invoices for some types of purchases not previously reviewed, but does not obtain and review some invoices or detailed mileage statements. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Implemented by the new Prosecuting Attorney in January 1999.

2. Budgetary Practices and Published Financial Statements

A. The county's annual published financial statements presented no information for several county funds.

B. Formal budgets were not prepared for various county funds.

C. Actual expenditures exceeded budgeted amounts for some funds.

D. Budgets prepared by the Families and Friends of the Developmentally Disabled Board were not complete. The board had accumulated a significant cash reserve and did not provide information about plans and goals for the funds in the budget message.

Recommendation:

The County Commission:

A. Include all county funds in the published financial statements as required by state law.

B. Prepare and/or obtain budgets for all county funds as required by state law.

C. And Health Center Board keep expenditures within the budgetary limits. If necessary, extenuating circumstances should be fully documented and budgets properly revised and filed with the State Auditor's Office.

The Families and Friends of the Developmentally Disabled Board:

D. Prepare a complete budget document. In addition, the board should review its future financial needs and consider its cash balance when setting future tax levies.

Status:

A, B,
& C. Not implemented. See MARs No. 1 and 8.

D. Implemented.

3. Property Tax System and Computer Controls

A. The Ex Officio Collector made changes to the computerized property tax system for additions and abatements when the County Clerk's Office was unavailable to make the changes. There was no independent and subsequent comparison of approved court-ordered additions and abatements to actual changes to the property tax data or to amounts reflected on the EOC's annual settlement.

B. Passwords were not unique and/or confidential for each individual using the system and were not changed periodically.

Recommendation:

The County Commission:

A. Establish controls so that the EOC does not enter abatements or additions into the property tax system or ensure that independent, subsequent comparison of these changes to court orders is performed. Consideration should be given to generating periodic reports of changes to files and requiring independent reviews of the reports to be performed and documented.

B. Ensure access to specific computer programs/data files is restricted to authorized individuals through passwords. Passwords should be unique to individuals and changed periodically. Investigate with the software vendor the possibility of restricting access to individual functions through unique passwords.

Status:

A. Not implemented. See MAR No. 3.

B. Partially implemented. Passwords are now unique for individual users. However, passwords are not always periodically changed. See MAR No. 3.

4. Prosecuting Attorney

A. A system to account for all bad checks submitted to the office for collection and their disposition had not been established.

B.1. Receipt slips were not issued for some monies received.

2. Monies received were not always deposited on a timely basis.

3. Some payments were not recorded in the bad check payment log.

C. No sequential summary record of court-ordered restitution receipts and disbursements was maintained.

D. The Prosecuting Attorney approved the purchase of a computer and printer without obtaining bids.

Recommendation:

The Prosecuting Attorney:

A. Establish a system to account for all bad checks submitted to his office and their disposition.

B.1. Issue receipt slips for all monies received.

2. Deposit receipts daily or when accumulated receipts exceed $100.

3. Ensure that all monies received for bad check restitution are recorded in the bad check payment log.

C. Establish a summary record of all court-ordered restitution transactions and reconcile periodically to the individual ledger cards.

D. Solicit bids for purchases in accordance with state law.

Status:

A, B1, &B2. Not implemented. See MAR No. 6.

B3 &D. Implemented.

C. Partially implemented. A record of court-ordered restitution transactions has been established but it is not formally reconciled to the individual ledger cards. See MAR No. 6 for related comments.

5. Sheriff's Accounting Controls and Procedures

A. Receipts were not deposited daily or when accumulated receipts exceed $100.

B. Commissions related to collect telephone calls made by prisoners were maintained in a cash fund and used by the Sheriff for jail supplies and various other office expenses.

C. Procedures for the collection of board of prisoners billings to other counties were inadequately segregated and the billing forms were not prenumbered.

D. A deputy sheriff required by a grant agreement to perform traffic safety duties on a full-time basis sometimes performed other duties unrelated to traffic safety. Amounts reimbursed by the grant for hours worked in performing the unallowable services totaled $438.

Recommendation:

The Sheriff:

A. Deposit receipts intact daily or when receipts exceed $100.

B. Turn all telephone commissions earned over to the County Treasurer and discontinue expending money without authorization of the County Commission.

C. Provide for an adequate segregation of duties for board of prisoner functions. Additionally, prenumbered billing forms should be issued and the numerical sequence accounted for.

D. And the County Commission contact the federal grantor agency to resolve the questioned costs.

Status:

A. Partially implemented. The frequency of deposits has improved. Bond monies are generally deposited the same day they are received. Gun permit monies and sheriff fees are deposited weekly. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. The County Commission indicated they authorized the Sheriff to handle the telephone commission funds and the Sheriff usually provides them with a verbal report of how the funds have been used. Telephone commission receipts and disbursements totaled $5,269 and $5,208, respectively, for the two years ended December 31, 1998. By allowing the Sheriff to handle these monies in this manner, the County Commission is approving expenditures to be made outside the normal county review process and may not be adequately informed of these funds and plans for them during the budget preparation process. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Partially implemented. Procedures have now been segregated, but prenumbered billings are not utilized. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Implemented.

6. Public Administrator's Procedures

A. Annual settlements were not always filed with the Probate Division on a timely basis.

B. Written bank reconciliations were not performed for the estates.

Recommendation:

The Associate Circuit Judge require the Public Administrator:

A. To file annual settlements on a timely basis as required by state law.
B. Correct the noted error in the checkbook balance and perform monthly bank reconciliations.

Status:

A. Not implemented. See MAR No. 5.

B. Partially implemented. The noted error in the checkbook balance was corrected. However, bank reconciliations are not always properly prepared and documented. See MAR No. 5.

STATISTICAL SECTION

History, Organization, and
Statistical Information

GRUNDY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Grundy was named after Felix Grundy, a U. S. Senator from Tennessee. Grundy County is a township-organized, third-class county and is part of the Third Judicial Circuit. The county seat is Trenton.

Grundy County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Grundy County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 113,631	7	101,975	6
Sales taxes	366,390	23	390,639	23
Federal and state aid	776,067	50	848,576	50
Fees, interest, and other	308,823	20	360,296	21
Total	$ 1,564,911	100	1,701,486	100

The following chart shows how Grundy County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 474,991	32	429,134	27
Public safety	424,494	28	398,747	25
Highways and roads	596,281	40	778,872	48
Total	$ 1,495,766	100	1,606,753	100

The county maintains approximately 198 county bridges and 515 miles of county roads.
::

The county's population was 11,819 in 1970 and 10,536 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 46.8	47.1	40.9	24.6	17.1
Personal property	20.4	19.3	10.8	9.1	6.5
Railroad and utilities	10.1	10.3	5.7	6.4	4.7
Total	$ 77.3	76.7	57.4	40.1	28.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Grundy County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .11	.10
Health Center Fund	.15	.14
Developmentally Disabled Fund	.10	.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		1999	1998
State of Missouri	$	23,167	23,377
General Revenue Fund		83,158	76,438
Special Road and Bridge Fund		38,724	33,756
Townships Road and Bridge		128,010	140,075
Assessment Fund		46,474	45,533
Health Center Fund		113,329	107,605
Developmentally Disabled Fund		74,873	75,425
School districts		2,410,935	2,432,287
North Central Missouri College		210,698	209,080
Library district		113,931	114,883
Nursing Home		116,104	110,255
Fire Districts		99,478	100,764
Townships		268,766	254,584
Township Road Bond		7,821	8,596
Special Road District		8,087	7,430
Cities		450,850	403,922
County Clerk		695	747
County Employees' Retirement		15,111	14,842
Commissions and fees:			
Township Collectors		38,755	38,970
General Revenue Fund		40,129	41,115
Total	$	4,289,095	4,239,684

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	93.7 %	92.5 %
Personal property	86.1	89.3
Railroad and utilities	100.0	100.0

Grundy County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50
Ambulance		.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
K. Dwaine Meservey, Presiding Commissioner	$		14,280	13,872
Paul Jackson, Associate Commissioner			14,280	13,872
H. L. (Bud) Cox, Associate Commissioner			14,280	13,872
L. D. Gibson, County Clerk			27,260	26,337
Steven D. Hudson, Prosecuting Attorney			30,236	29,348
Gregory A. Coon, Sheriff			35,000	34,000
Thomas R. Eads, County Coroner			6,000	6,000
Gilbert J. Trump, Public Administrator *			18,497	21,182
Helen Frisbie, Treasurer and Ex Officio County Collector, year ended March 31,		26,512	26,512	
Joseph F. Ferris, County Assessor, year ended August 31, **			34,900	27,659

* Includes fees received from probate cases.
** Includes $900 annual compensation received from the state.

State-Paid Officials:			
Beatrice Shaw, Circuit Clerk and Ex Officio Recorder of Deeds		42,138	40,176
Thomas O. Pickett, Associate Circuit Judge		85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk and Ex Officio Recorder of Deeds	1	2
County Clerk	2	0

Prosecuting Attorney (1)	3	0
Sheriff	8	0
Treasurer and Ex Officio County Collector	1	0
County Assessor	4	0
Associate and Probate Division	0	3
Road and Bridge	5	0
Health Center (2)	11	0
Ambulance Service (3)	16	0
Families and Friends of the Developmentally Disabled Board	1	0
Buildings and Grounds	1	0
Total	53	5

(1) Includes two part time employees

(2) Includes four part time employees

(3) Includes eight part time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Grundy County's share of the Third Judicial Circuit's expenses is 37.89 percent.

AUDIT REPORT

THIRTY-FIFTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-63
August 26, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

August 1999

The following audit report presents our findings and recommendations for certain municipal divisions of the Thirty-Fifth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Advance	*pages 23-25*
City of Arbyrd	*pages 25-27*
City of Bell City	*pages 27-28*
City of Bloomfield	*pages 28-31*
City of Campbell	*pages 31-33*
City of Cardwell	*pages 33-36*
City of Clarkton	*pages 36-43*
City of Dudley	*pages 43-45*
City of Hornersville	*pages 45-50*

The municipal divisions for the City of Bernie, the City of Dexter, the City of Holcomb, the City of Kennett, the City of Malden, the City of Puxico, and the City of Senath are reported on separately.

YELLOW SHEET

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Thirty-Fifth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended September 30, 1998 and 1997, and June 30, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Thirty-Fifth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the

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municipal divisions (other than the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended September 30, 1998 and 1997, and June 30, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

The various municipal divisions of the Thirty-Fifth Judicial Circuit have not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal divisions do business are or will become year 2000-compliant.

We also had planned to audit the accompanying special-purpose financial statements of the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997. These special-purpose financial statements are the responsibility of the municipal divisions' management.

Internal controls and accounting records of the city of Clarkton Municipal Division were inadequate. Prenumbered receipt slips were not issued for some monies received and receipts were not always deposited intact. Also, records accounting for the numerical sequence and ultimate disposition of each traffic ticket and summons issued by the police department were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended December 31, 1998 and 1997.

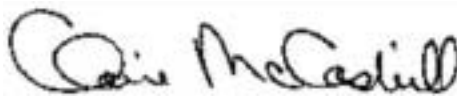
Internal controls and accounting records of the city of Hornersville Municipal Division were inadequate. Prenumbered receipt slips were not issued for some monies received and receipts were not always deposited intact. Also, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines and court costs for the years ended April 30, 1998 and 1997.

Because of the effects of the matters discussed in the preceding two paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special purpose financial statements of the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 21, 1999 and April 8, 1999, on our consideration of the municipal divisions' internal controls

over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

January 21, 1999, except for the city
of Clarkton Municipal Division, as to
which the date is April 8, 1999
(fieldwork completion dates)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Thirty-Fifth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended September 30, 1998 and 1997, and June 30, 1998 and 1997, and have issued our report thereon dated January 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statements of the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997, and have issued our report thereon dated January 21, 1999 and April 8, 1999. In that report we did not express an opinion on those special-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Thirty-Fifth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance

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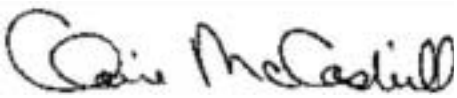
that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Thirty-Fifth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgement, could adversely affect the municipal divisions' ability to record, process, summarize and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fifth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

January 21, 1999, except for the city of
Clarkton Municipal Division, as to
which the date is April 8, 1999
(fieldwork completion dates)

Financial Statements

Exhibit A

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Clarkton (Note 4) Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 17,383	29,221
Total Receipts	17,383	29,221
DISBURSEMENTS		
City treasury	13,376	28,966
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Unaccountable (Note 5)	4,007	255
Total Disbursements	17,383	29,221
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JANUARY 1	0	0
CASH, DECEMBER 31	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Advance (Note 4) Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 26,451	29,376
Total Receipts	26,451	29,376
DISBURSEMENTS		
City treasury	26,451	29,376
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	26,451	29,376
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, OCTOBER 1	0	0
CASH, SEPTEMBER 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Arbyrd Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 8,060	11,021
Total Receipts	8,060	11,021
DISBURSEMENTS		
City treasury	7,855	10,364
State of Missouri (Note 3)	0	0
Refunds and other	405	957
Total Disbursements	8,260	11,321
RECEIPTS OVER (UNDER) DISBURSEMENTS	-200	-300
CASH, JULY 1	900	1,200
CASH, JUNE 30	$ 700	900

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Bell City Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 1,534	3,398
Total Receipts	1,534	3,398
DISBURSEMENTS		
City treasury	1,534	3,398
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	1,534	3,398
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Bloomfield (Note 4) Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 23,069	10,019
Total Receipts	23,069	10,019
DISBURSEMENTS		
City treasury	23,069	10,019
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	23,069	10,019
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Campbell Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 28,081	30,027
Total Receipts	28,081	30,027
DISBURSEMENTS		
City treasury	15,411	19,760
State of Missouri (Note 3)	0	0
Refunds and other	12,245	10,684
Total Disbursements	27,656	30,444
RECEIPTS OVER (UNDER) DISBURSEMENTS	425	-417
CASH, JULY 1	3,218	3,635
CASH, JUNE 30	$ 3,643	3,218

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Cardwell Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines and costs	$ 11,038	11,065
Total Receipts	11,038	11,065
DISBURSEMENTS		
City treasury	11,038	11,065
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	11,038	11,065
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Dudley Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines and costs	$ 90	461
Total Receipts	90	461
DISBURSEMENTS		
City treasury	90	461
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	90	461
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

(UNAUDITED)

	City of Hornersville Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines and costs	$ 329	1,567
Total Receipts	329	1,567
DISBURSEMENTS		
City treasury	188	1,132
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Unaccountable (Note 6)	141	435
Total Disbursements	329	1,567
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, MAY 1	0	0
CASH, APRIL 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the nine municipal divisions of the Thirty-Fifth Judicial Circuit of the state of Missouri. The remaining municipal divisions of the Thirty-Fifth Judicial Circuit are reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs

into the city treasury at least monthly. The municipal divisions do not maintain bank accounts for fines and court costs, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998 and 1997, all bank account balances reported for the municipal divisions of the Thirty-Fifth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the surcharges for the Crime Victims' Compensation and Services to Victims Funds, and the Peace Officer Standards and Training Commission Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions. Amounts remitted by the cities to the state are not included in the financial statements.

The municipal divisions of the city of Bell City, the city of Clarkton, and the city of Hornersville did not assess the Peace Officer Standards and Training Commission fee.

4. Bonds

Bonds posted by defendants for the municipal divisions of the city of Clarkton, the city of Advance, and the city of Bloomfield are deposited directly into the city treasury. The amounts held by the city at year-end could not be determined and, therefore, are not included in the financial statements.

5. City of Clarkton

Fines, court costs, and bonds received by the city of Clarkton Municipal Division were not consistently deposited into the city's Motor Fuel Street Account. Receipts that could not be traced to deposits into this account are included in the receipts and are presented as unaccountable disbursements on the financial statement for the two years ended December 31, 1998.

6. City of Hornersville

Fines and court costs received by the city of Hornersville Municipal Division were not consistently deposited into the city's Police Fund. Receipts that could not be traced to deposits into this account are included in the receipts and are presented as unaccountable disbursements on the financial statement for the two years ended April 30, 1998.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended September 30, 1998 and 1997, and June 30, 1998 and 1997, and have issued our report thereon dated January 21, 1999.

We also had planned to audit the special-purpose financial statements of the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997, and the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997, and have issued our report thereon dated January 21, 1999 and April 8, 1999. In that report we did not express an opinion on those special-financial statements.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Advance Municipal Division

A. The duties of receiving, recording, and depositing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. During our review, we noted the following concerns related to bonds:

1) Bond monies received by the court are deposited into the city's general account for the city of Advance Municipal Division. The city of Advance does not maintain separate records of the bonds deposited, disbursed, and held in its general account. Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

2) The Court Clerk maintains a bond ledger; however, the bond ledger does not consistently indicate the disposition of bonds. A bond ledger indicating the related case, date and amount of receipt, and date and method of disbursement is necessary to ensure proper accountability over bonds.

C. The municipal division allows defendants to make partial payments on fines and court costs. However, the court does not maintain adequate records to account for individual and total amounts owed to the court. We noted that fines and costs assessed and partial payments made were not always recorded in the case file. In addition, for three of five cases reviewed, written or signed payment agreements were not obtained. As a result, the municipal division could not determine the total amount currently owed by individuals with partial payment plans.

Accounts receivable records, including written and signed payment agreements, are necessary to ensure proper follow up action is taken and to facilitate monitoring of amounts due to the municipal division. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay fines and court costs.

D. During our review, we noted the following concerns related to court dockets:

1) The final disposition of each case is not consistently documented in the court docket. The ultimate disposition of each case should be recorded on the docket to ensure the proper disposition has been recorded in the court records.

2) The Municipal Judge does not consistently sign the court dockets after case dispositions are recorded. We noted that court costs and fines assessed did not agree with the amounts authorized by the TVB schedule for five of forty-one (12 percent) tickets tested. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

E. Instances were noted where the Crime Victim's Compensation (CVC), Law Enforcement Training (LET), and Peace Officer Standards and Training Commission (POSTC) fees were inappropriately charged on dismissed cases. Sections 595.045.1 and 590.140.1, RSMo Cumulative Supp. 1998, require these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

Conditions similar to D. and E. were also noted in our prior report.

WE RECOMMEND the city of Advance Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B.1. Prepare monthly listings of open items and reconcile these listings to monies held in trust by the city. In addition, separate records should be maintained of bonds received, disbursed, and held in the city of Advance's general account.

2. Maintain an adequate bond ledger.

C. Establish and maintain accounts receivable records and obtain written and signed payment agreements for those defendants which are allowed to pay fines and court costs over a period of time.

D.1. Include the disposition of each case on the court docket.

2. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

E. Assess CVC, LET, and POSTC fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

A. Internal controls will be established to ensure that a documented review by the Mayor, or his representative, is made not less than once a quarter.

B.1. Listings as recommended will be prepared and reconciled to monies held in trust. A separate bank account will be established for the municipal division. Proper records will be maintained accordingly.

2. An adequate bond ledger will be maintained and monitored.

C. Proper records, including signed written agreements, will be established in regard to partial payments of fines and costs.

D.1. Proper records are being maintained to show the disposition of each case on the docket.

2. This recommendation is being complied with.

E. Procedures will be instigated to determine that the state law will be complied with.

2. City of Arbyrd Municipal Division

A. The duties of receiving, recording, depositing, and disbursing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the

Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The Court Clerk does not consistently record the method of payment on receipt slips. To ensure receipts are deposited intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips issued should be reconciled to the composition of deposits.

C. During our review, we noted the following concerns related to bonds:

1) Bond monies received by the court are deposited into the city's general account for the city of Arbyrd Municipal Division. The city of Arbyrd does not maintain separate records of bonds deposited, disbursed, and held in its general account. Although an open items listing was prepared at our request, monthly listings of open items (liabilities) are not prepared and reconciled to the balance of bonds held in the city's general account. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

2) The December 1, 1998 open items listing included bond receipts totaling $700 which had been held in excess of one year. An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid turned over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Sections 447.500 through 447.595, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.

Conditions similar to B. and C.1. were also noted in our prior report.

WE RECOMMEND the city of Arbyrd Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of deposits.

C.1. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the city. In addition, separate records should be maintained of bonds received, disbursed, and held in the city of Arbyrd's general account.

2. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants with unclaimed bonds. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. The water superintendent has agreed to compare receipt slips issued to amounts deposited in regard to cash, checks, or money orders. This recommendation has already been implemented.

B. New receipt books were ordered which have a place to indicate when cash, checks or other are received. This was not implemented before because such a large number of receipt books were on hand. Cash or check was noted on the receipt slips if the Clerk remembered. This has been implemented.

C.1. An accounts payable record is now kept for bonds. After the court session, journal entries are made to show what portion of the bond went to fines and costs, and checks are issued for any refunds. An open items list is presented to the council members which is prepared at the end of each month and reconciled to the bonds held in trust by the city.

2. When these cases were transferred to circuit court at the request of the defendants or their attorney, the bonds were not transferred . A letter from the city attorney was never received stating what happened to the cases, although letters were written requesting the dispositions. We will continue to try to find out what happened on these cases.

3. City of Bell City Municipal Division

A. The duties of receiving, recording, depositing, and disbursing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there

should be a documented independent comparison of receipt slips issued to amounts deposited.

B. The TVB accepts cash, checks, and money orders for fines and court costs. Receipt slips are not issued for some monies received. In addition, the composition of receipts is not reconciled to the composition of deposits. To adequately account for all receipts and ensure all receipts are deposited intact, prenumbered receipt slips should be issued for all monies received, and the numerical sequence of receipts should be accounted for properly. Furthermore, the composition of receipt slips issued should be reconciled to the composition of bank deposits.

C. The municipal division operates a TVB that allows certain offenses to be paid prior to the court date. However, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB Clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the TVB.

Conditions similar to B. and C. were also noted in our prior report.

WE RECOMMEND the city of Bell City Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Issue prenumbered receipt slips for all monies received and reconcile total cash, checks, and money orders received to bank deposits.

C. Prepare a court order authorizing the establishment of a TVB.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. The Mayor will reconcile receipt slips to deposits each month.

B. This will be implemented.

C. This will be discussed with the Associate Circuit Judge.

4. City of Bloomfield Municipal Division

A. The duties of receiving, recording, and depositing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. During our review, we noted the following concerns related to receipts:

1) Receipts are not deposited on a timely basis. Fine and court cost monies are deposited to the city treasury approximately once or twice a month. In addition, the composition of receipt slips issued is not reconciled to the composition of deposits. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited intact daily or when accumulated receipts exceed $100. Furthermore, the composition of receipt slips issued should be reconciled to the composition of bank deposits.

2) The Court Clerk provides a monthly report of collection activity to the city. However, the Court Clerk does not reconcile this report to deposits. To properly account for receipts and to reduce the risk of loss or misuse of funds, reconciliations between the monthly reports and deposits should be performed, documented, and retained.

C. The Municipal Judge does not sign the individual case file sheets (court dockets) after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each case docket and sign the docket to indicate approval of the recorded disposition.

D. During our review, we noted the following concerns related to bonds:

1) Bond monies received by the court are deposited into the city's general account for the city of Bloomfield Municipal Division. The city of Bloomfield does not maintain separate records of bonds deposited, disbursed, and held in its general account. Monthly listings of open items (liabilities) are not prepared and reconciled to monies held in trust by the city. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

2) The Court Clerk does not maintain a bond ledger. A bond ledger indicating the related case, date and amount of receipt, and date and method of disbursement is necessary to ensure proper accountability over bonds.

E. The municipal division allows defendants to pay fines and costs over a period of time; however, written or signed payment agreements are not obtained. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay the fines and court costs and to aid in accounting for and collecting the amounts due to the municipal division.

F. Peace Officer Standards and Training Commission (POSTC) fees collected by the municipal division are deposited into the city treasury. However, the POSTC fees have never been remitted to the state. Section 590.140.1, RSMo Cumulative Supp. 1998, requires POSTC fees to be disbursed to the state.

Conditions similar to B.2. and C. were also noted in our prior report.

WE RECOMMEND the city of Bloomfield Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B.1. Deposit all monies intact daily or when accumulated receipts exceed $100. Also, reconcile total cash, checks, and money orders received to bank deposits.

2. Perform, document, and retain monthly reconciliations between the monthly report and bank deposits.

C. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

D.1. Prepare monthly listings of open items and reconcile these listings to monies held in trust by the city. In addition, separate records should be maintained of bonds received, disbursed, and held in the city of Bloomfield's general account.

2. Maintain a bond ledger.

E. Obtain a written and signed payment agreement for those defendants which are allowed to pay fines and court costs over a period of time.

F. Request the city to properly remit POSTC fees to the state in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. The Municipal Judge will reconcile receipt slips to deposits each month.

B.1. We have implemented this recommendation.

2. We will include all activity on the monthly report and reconcile to deposits.

C. The Municipal Judge will sign each court docket.

D. The Court Clerk is now maintaining a bond ledger. We will request monthly reports from the city regarding the bond account and will reconcile these to the bond ledger.

E. We will implement a continuance docket.

F. This will be implemented.

5. City of Campbell Municipal Division

A. The Court Clerk accepts cash, checks, and money orders for the payment of fines and court costs. The Court Clerk does not consistently record the method of payment on receipt slips. To ensure receipts are transmitted and deposited intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips issued should be reconciled to the composition of transmittals and deposits.

B. Bank reconciliations are not prepared monthly, deposits are not recorded timely, and a running balance is not maintained for the municipal division's bond bank account. To ensure all differences between bank and book balances are noted in a timely manner, the bank account should be reconciled monthly, all transactions should be recorded as they occur, and a balance should be maintained in the checkbook register.

C. During our review, we noted the following concerns related to bonds:

1) Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. The Court Clerk prepared an open items listing as of October 30, 1998. The open items listing totaled $192 more than the balance of bonds in the bond account. It appears this difference may be due to inaccuracies on the open items listing.

Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities.

2) The October 30, 1998 open items listing included bond receipts totaling $3,222 which had been held in excess of one year. An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid turned over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Sections 447.500 through 447.595, RSMo Cumulative Supp. 1998, which relate to unclaimed property, should be used to disburse these monies.

3) When a case is completed the bond is refunded. A check for the total amount of the bond is made payable to the defendant. If the defendant wishes to use the bond money to pay his fine and court costs, he must endorse the check and return it to the municipal division. After the fine and court costs are deducted from the bond amount, any difference is disbursed to the defendant from other cash collections. This procedure of cashing bond refund checks does not allow fines and court costs to be deposited intact.

   To ensure fines and court costs are deposited intact, the court should discontinue the practice of cashing bond refund checks. To accomplish this, the court should issue the refund checks in the amount of the difference between the fines and court costs due and the total bond amount. The amounts applied toward the fines and court costs should be separately transferred from the bond account to the city treasury.

D. Instances were noted where the Crime Victim's Compensation (CVC), Law Enforcement Training (LET), and Peace Officer Standards and Training Commission (POSTC) fees were inappropriately charged on dismissed cases. Sections 595.045.1 and 590.140.1, RSMo Cumulative Supp. 1998, require these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Campbell Municipal Division:

A. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of monies transmitted and deposited.

B. Reconcile the bond checking account monthly, record all transactions timely and maintain an accurate running balance in the bond checkbook register.

C.1. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the court. In addition, the reason for the apparent $192 shortage should be investigated by reviewing all open bonds on the open items listing. In the event cash is determined to be insufficient to meet bond liabilities, the municipal division will need to review this matter with the city to determine the proper resolution.

2. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants who have a cash bond due back to them. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.

3. Discontinue the practice of cashing bond refund checks out of other cash collections.

D. Assess CVC, LET, and POSTC fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. The method of payment will be recorded on all receipt slips and the City Collector is now reconciling the composition of monies transmitted and deposited.

B. This has been implemented and is done monthly.

C.1. Monthly listings of open items are now prepared and the difference is down to around $50. We will continue to investigate the difference.

2. These cases will be reviewed.

3. This will be implemented.

D. The Municipal Judge will consider this recommendation.

6. City of Cardwell Municipal Division

A. The duties of receiving, recording, depositing, and disbursing fine and court cost monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted

for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Receipts are not deposited on a timely basis. Fine and court cost monies are deposited to the city treasury approximately once or twice a month. In addition, fine and court cost monies are not deposited intact. Personal checks are cashed for city residents from official court receipts. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the court should discontinue the practice of cashing personal checks from court receipts and monies should be deposited intact daily or when accumulated receipts exceed $100.

C. Checks and money orders are not restrictively endorsed until deposits are prepared. In addition, the endorsement used when deposits are made is not restrictive. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. During our review, we noted the following concerns related to documentation of case dispositions:

1) The final disposition of each case is not consistently documented in the court docket. The ultimate disposition of each case should be recorded on the docket to ensure the proper disposition has been recorded in the court records.

2) The Municipal Judge does not sign the court dockets after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

3) A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has been formally established by court order pursuant to Section 479.260.6, RSMo Cumulative Supp. 1998. However, amounts collected by the Court Clerk at the TVB did not agree to the TVB schedule for five of the nine (56 percent) tickets tested. For two of these five cases, confirmations indicated the amounts paid were more than the amount recorded. We could not determine if these additional monies had been received by the Court Clerk and deposited into the city treasury.

The Court Clerk does not have the authority to impose fines and costs except in those offenses and amounts established by the Municipal Judge in the TVB schedule. The Court Clerk should ensure that amounts collected at the TVB are in agreement with the fine and cost schedule established by the judge.

E. The municipal division allows defendants to pay fines and costs over a period of time; however, written and signed payment agreements are not obtained. In addition, for three of five cases reviewed with balances past due, warrants had not been issued.

A written and signed payment agreement is necessary to indicate the intent of the defendant to pay fines and court costs and to aid in accounting for and collecting the amounts due to the municipal division.

F. The Court Clerk does not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). In seven instances out of seven items reviewed (100 percent), the required records were not forwarded. Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days.

G. During our review, we noted the following concerns related to fines, court costs and fees:

1) Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees collected by the municipal division are deposited directly into the city treasury. The Court Clerk remits these fees to the state approximately once a year. In addition, the amounts disbursed to the state for fees collected from July 1993 through November 1998 were not accurate. The Court Clerk disbursed $762 in CVC fees and $99 in POSTC fees in excess of amounts collected. Section 595.045.5, RSMo Cumulative Supp. 1998, requires 95 percent of the CVC fee to be paid to the state monthly. POSTC fees should also be disbursed monthly to the state.

2) Instances were noted where the Crime Victim's Compensation (CVC), Law Enforcement Training (LET), and Peace Officer Standards and Training Commission (POSTC) fees were inappropriately charged on dismissed cases. Sections 595.045.1 and 590.140.1, RSMo Cumulative Supp. 1998, require these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

3) The municipal division assesses various amounts for seat belt violations heard in court. For five traffic tickets reviewed with seat belt violations the amounts assessed ranged from $50 to $83.

Section 307.178.5, RSMo Cumulative Supp. 1998, states a fine not to exceed $10 may be imposed and no court costs shall be imposed on any person due to a seat belt law violation.

Conditions similar to B., D.2., E., and G.1. were also noted in our prior report.

WE RECOMMEND the city of Cardwell Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Deposit all monies intact daily or when accumulated receipts exceed $100. In addition, the court should discontinue the practice of cashing personal checks from court receipts.

C. Restrictively endorse all checks and money orders immediately upon receipt.

D.1. Include the disposition of each case on the court docket.

2. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

3. Ensure the amounts collected at the TVB are in agreement with the fine and cost schedule established by the judge.

E. Obtain written and signed payment agreements for those defendants which are allowed to pay fines and court costs over a period of time and institute procedures to collect amounts owed.

F. Forward records of convictions on traffic offenses to the MSHP as required by state law.

G.1. Ensure that CVC and POSTC fees are disbursed monthly in accordance with state law.

2. Assess CVC, LET, and POSTC fees in accordance with state law.

3. Assess fines for seat belt violations in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

A-C, F
G.1&2.These recommendations will be implemented.

D.1&2.
G.3. These recommendations have been implemented.

D.3. This will be implemented. The Municipal Judge will review TVB cases.

E. Signed payment agreements are being used and warrants are issued if show cause orders are ignored.

7. City of Clarkton Municipal Division

A. The duties of receiving, recording, depositing, and disbursing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. During our initial review, we noted that some payments recorded on the receipt slips could not be traced to a deposit into the city's Motor Fuel Street Account, the account designated to receive all court collections. In addition, the Court Clerk indicated all court receipts should be deposited into this account. Since we could not account for all court receipts, we performed additional procedures for the period January 1, 1997 through March 31, 1999.

For this period, we compared checks and cash deposited in the Motor Fuel Street Account to the corresponding receipts. We determined total court receipts by comparing the receipt slips to the corresponding bank deposits for the audit period. We noted deposits containing unrecorded receipts and receipt slip amounts that could not be traced to bank deposits. The following table summarizes the results of our review:

	3 Months Ended March 31, 1999	Year Ended December 31, 1998	1997	Total
Receipts recorded on receipt slips	$ 14,099	15,605	26,778	56,482
Monies received, but not recorded on receipt slips	363	1,878	2,443	4,684
Total court receipts identified	14,462	17,483	29,221	61,166
Less deposits to Motor Fuel Street Account	14,213	13,476	28,966	56,655
Court receipts not deposited to Motor Fuel Street Account	$ 249	4,007	255	4,511

In addition, we noted the amount of cash deposited fluctuated significantly as follows:

A new Court Clerk was appointed May 6, 1998. She resigned January 11, 1999 while we were conducting the audit. We noted nothing to explain the significant decline in the percentage of cash deposited during 1998. In fact, the number of cases filed with the municipal division increased from 162 during 1997 to 260 during 1998. Based on this cash deposit activity it appears there should have been some additional cash deposits during the period May 6, 1998 to January 11, 1999.

Because court monies are commingled with city funds and deposits are not made intact, we could not determine if court dollars were deposited in other city accounts. The municipal division, along with the city, should review this situation and take necessary actions to recover any monies determined to be missing.

C. During our review, we noted the following concerns related to receipts:

1) Receipt slips are not issued for some monies received. Also, the police department occasionally collects monies for fines and court costs when the Court C
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Period	Total Deposited	Cash Deposited	Percent Cash
Period January 1, 1998 to May 5, 1998	$ 34,090	28,185	83 %
Period May 6, 1998 to January 11, 1999	9,030	4,483	50
Period January 12 to March 31, 1999	13,535	9,287	69

Clerk does not prepare a court receipt slip for the monies transmitted from the police department. To adequately account for all receipts and ensure all receipts are deposited intact, a prenumbered receipt slip should be issued for all monies received and the numerical sequence of receipts should be accounted for properly.

2) The Court Clerk does not consistently note the method of payment on the receipt slip, and the composition of receipts is not reconciled to the composition of deposits. To provide assurance all monies received have been properly deposited intact, the method of payment should be recorded on each receipt slip, and the composition of monies received should be reconciled to the composition of monies deposited.

D. The municipal division does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge and filed with the City Clerk.

E. Numerous bank statements, canceled checks, and deposit slips could not be located. In addition, several records indicating the assignment of ticket books to officers could not be located.

Supreme Court Administrative Rule No. 8 requires that all financial records be maintained for five years or upon completion of an audit. Retention of applicable records is necessary to properly account for all municipal monies received.

F. During our review, we noted the following concerns related to court dockets:

1) The final disposition of each case is not consistently documented in the court docket. The ultimate disposition of each case should be recorded on the docket to ensure the proper disposition has been entered in to the court records.

2) The Municipal Judge does not sign the court dockets after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

G. During our review, we noted the following concerns related to bonds:

1) The Court Clerk does not perform reconciliations for the municipal division's bank account. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis. In addition, all bank reconciliations should be documented and all differences fully investigated and explained.

2) The Court Clerk does not maintain a bond ledger and does not prepare a monthly listing of open items (liabilities).

A bond ledger indicating date and amount of receipt and date and method of disbursement is necessary to ensure proper accountability over bonds. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the court are sufficient to meet liabilities.

3) The bond escrow bank statement indicated a deposit of $100 on December 17, 1998. However, the bond was not receipted, and the municipal division is unable to indicate who posted the bond.

To provide proper accountability over bonds and to ensure all bonds are deposited, prenumbered receipt slips should be issued for all bonds and the details of each bond should be included on the bond ledger and monthly listing of open items.

H. During our review, we noted the following concerns related to traffic tickets and summonses:

1) Neither the police department nor the municipal division maintains a log to account for traffic tickets and summonses issued and their ultimate disposition. In addition, a log of summonses assigned is not maintained.

Without a proper accounting for the numerical sequence and disposition of traffic tickets and summonses, the police department and the municipal division cannot be assured that all tickets and summonses issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket and summons issued should be maintained as well as a log of summonses assigned, to ensure all traffic ticket and summonses have been accounted for properly.

2) The Court Clerk does not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days.

I. During our review, we noted the following concerns related to the municipal division's TVB:

1) Although the municipal division operates a TVB that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

2) A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has been formally established by court order pursuant to Section 479.260, RSMo 1994. However, this schedule of fines and court costs has not been prominently posted at the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB Clerk, and to establish by schedule the amount of fines

and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the TVB.

J. The municipal division allows defendants to make partial payments on fines and court costs. However, the court does not maintain adequate records to account for individual and total amounts owed to the court and written and signed payment agreements are not obtained. We noted that partial payments made were not always recorded on the case file and docket book.

Accounts receivable records, including written and signed payment agreements, are necessary to ensure proper follow up action is taken and to facilitate monitoring of amounts due to the municipal division. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay fines and court costs.

K. During our review, we noted the following concerns related to fees:

1) Crime Victim's Compensation (CVC) fees collected by the municipal division are deposited into the city treasury. The Court Clerk does not maintain documentation of CVC fees collected. CVC fees have never been remitted to the state. Section 595.045, RSMo Cumulative Supp. 1998, requires CVC fees to be disbursed to the state monthly. To properly account for the collections and ultimate disbursement of CVC fees, the court should document CVC collections.

2) Instances were noted where the Crime Victim's Compensation (CVC) and Law Enforcement Training (LET) fees were inappropriately charged on dismissed cases. Sections 595.045.1 and 590.140.1, RSMo Cumulative Supp. 1998, require these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

3) Peace Officer Standards and Training Commission (POSTC) fees were not assessed or collected in accordance with state law. Section 590.140.1, RSMo Cumulative Supp. 1998, requires this fee to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

Conditions similar to C., D., F., G.2., H.-J., K.1., and K.2. were also noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Clarkton Municipal Division as of and for the years ended December 31, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Clarkton Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Along with the city, consider performing an in-depth review of court and city records. Necessary actions should be taken to obtain restitution for any funds determined to be missing.

C.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

2. Record the method of payment on each receipt slip and reconcile the composition of monies received to the composition of monies deposited to ensure all monies are deposited intact.

D. Prepare monthly reports of court actions and file these with the city in accordance with state law.

E. Ensure all financial records are appropriately retained.

F.1. Include the disposition of each case on the court docket.

2. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

G.1. Reconcile the bond checking account monthly and maintain documentation of the reconciliations.

2. Maintain a bond ledger and prepare monthly listings of open items. Reconcile these listings to monies held in trust by the court.

3. Investigate and determine who posted the $100 bond and issue prenumbered receipt slips for all monies received.

H.1. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and summonses assigned and issued.

2. Forward records of convictions on traffic offenses to the MSHP as required by state law.

I.1. Prepare a court order authorizing the establishment of a TVB.

2. Prominently post the schedule of fines and costs at the TVB.

J. Establish and maintain accounts receivable records and obtain written and signed payment agreements for those defendants which are allowed to pay fines and court costs over a period of time.

K.1. Maintain documentation of CVC collections and disbursements, determine and pay amounts due to the state for CVC, and, in the future, ensure CVC fees are remitted to the state in accordance with state law.

2. Assess CVC and LET fees in accordance with state law.

3. Assess POSTC fees in accordance with state law.

AUDITEE'S RESPONSE

The Mayor and the current Court Clerk provided the following responses:

A. Our outside bookkeeper will perform and document a review of receipt slips and deposits.

B. We will look into this situation further. We are trying to get an audit of the city.

C.1. The police department is issuing receipt slips. We are currently issuing receipt slips for all monies collected by the court. In addition, we are issuing receipt slips to the police department for monies transmitted by them.

2. We are currently recording the method of payment on each receipt slip and we will reconcile to the composition of deposits.

D., F.1., K.3. These recommendations have been implemented.

E., G.1., G.2., K.2. These recommendations will be implemented.

F.2. Case files are signed by the Municipal Judge after the final disposition of the case.

G.3. We will check this out and determine who posted the bond. The police department and the court are now issuing prenumbered receipt slips for all bond receipts.

H.1. We will work with the police department to maintain a log or the court will maintain a log to track all tickets and/or summonses.

2. This is done after each court date.

I.1. This has been done.

2. This has been posted.

J. Payment agreements are issued and signed, and payments are recorded on the case file.

K.1. We are now remitting CVC fees to the state and we will determine how to maintain documentation of CVC collections and disbursements.

8. City of Dudley Municipal Division

A. The duties of receiving, recording, depositing and disbursing fine and court cost monies collected by the municipal division are not adequately segregated. Currently, the City Clerk/Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

C. The Court Clerk accepts cash, checks and money orders for the payment of fines and court costs. Although the method of payment is noted on the receipt slips, the composition of receipts is not reconciled to the composition of deposits.

To provide assurance all monies received have been properly deposited, the composition of monies received should be reconciled to the composition of monies deposited.

D. During our review, we noted the following concerns related to the municipal division's TVB:

1) Although the municipal division operates a TVB that allows certain offenses to be paid prior to the court date; a court order has not been issued to formally establish the TVB.

2) A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has not been formally established by court order pursuant to Section 479.260, RSMo 1994.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the TVB.

E. The municipal division does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge and filed with the City Clerk.

F. The city adopted an ordinance on March 7, 1996, authorizing the Court Clerk to charge court costs of $30 for each municipal court case. The Court Clerk could not explain what costs and fees were included in the $30. Section 488.012.6, RSMo Cumulative Supp., 1998, provides for a $12 court cost to be collected for municipal cases. In addition, Section 595.045.1, RSMo Cumulative Supp., 1998, provides for a fee of $5 to be collected for Crime Victim's Compensation (CVC) fees and Section 590.140, RSMo Cumulative Supp., 1998, provides that an additional $1 be collected for Peace Officers Standards and Training Commission (POSTC) fees. Thus, it appears that the court costs assessed are excessive. Furthermore it appears costs of $30 would include the collection of CVC and POSTC fees. However, the state's portion of CVC and POSTC fees have never been remitted to the state as required by law.

The municipal division needs to review the court costs currently assessed and ensure compliance with state laws.

WE RECOMMEND the city of Dudley Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Restrictively endorse all checks and money orders immediately upon receipt.

C. Record the method of payment on each receipt slip and reconcile the composition of monies received to the composition of monies deposited.

D.1. Prepare a court order authorizing the establishment of a TVB.

2. Formally prepare and prominently post the schedule of fines and costs at the TVB.

E. Prepare monthly reports of court actions and file these with the city in accordance with state law.

F. Assess court costs and fees in accordance with state law. In addition, the court should properly remit CVC and POSTC fees to the state as required by state law.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. An alderman will be the independent person who will review the municipal division records. His review will be documented.

B.&C. These recommendations have been implemented.

D.1. The Clerk is working with the Municipal Judge to establish the TVB.

2. Once the TVB is established, a schedule of fines and costs will be prominently posted in city hall.

E. Corrected. A monthly summary has been prepared for review by the city aldermen and Mayor.

F. Court costs have been adjusted to comply with state law and the city is remitting CVC and POSTC fees as required by state law.

9. City of Hornersville Municipal Division

A. The duties of receiving, recording, depositing, and disbursing fine and court cost monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. During our review, we noted the following concerns related to receipts:

1) Receipt slips are not issued for some monies received. From May 1996 to October 1998, we noted fifteen instances, totaling $376, where fine and court cost monies were deposited in the Police Fund and could not be traced to a court receipt slip. Also, the police department occasionally collects monies for fines and

court costs when the Court Clerk is not present. However, the Court Clerk does not prepare a court receipt slip for the monies transmitted. To adequately account for all receipts and ensure all receipts are deposited intact, a prenumbered receipt slip should be issue for all monies received and the numerical sequence of receipts should be accounted for properly.

2) The Court Clerk does not consistently note the method of payment on the receipt slip, and the composition of receipts is not reconciled to the composition of deposits. To provide assurance all monies received have been properly deposited, the method of payment should be recorded on each receipt slip and the composition of monies received should be reconciled to the composition of monies deposited.

3) Receipts are not deposited intact or on a timely basis. Fine and court cost monies along with some city water collections were deposited to the city treasury's Police Fund. In addition, bank deposits are not reconciled to the court receipt slips issued. From April 1995 to September 1998, we noted thirty-two receipt slips for court collections in which receipts totaling over $1,100 were apparently not deposited into the Police Fund. Since court monies are commingled with city funds and deposits are not made intact, we could not determine if these dollars were deposited into other city accounts or if a shortage exists. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited intact daily or when accumulated receipts exceed $100.

4) Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

C. During our review, we noted the following concerns related to court dockets:

1) We noted twenty-two tickets out of seventy-eight tickets reviewed (28 percent) did not trace to a case file or court docket. The municipal division was unable to provide supporting documents indicating final disposition of the issued tickets. In addition, five confirmations were returned indicating that the ticket had been processed and fine and costs were paid at city hall. We were unable to determine if these monies had been received by the Court Clerk and deposited into the city treasury.

2) During our review of case files, we noted instances in which case files did not contain the individual court docket. We also noted two instances in which the Court Clerk indicated the charges were dropped; however the Municipal Judge's court docket did not indicate charges were dropped. Thus, proper disposition could not be determined.

Section 479.070, RSMo 1994, requires the proceedings of every case commenced before the court be entered on the docket. The Municipal Judge should ensure all cases are included on the court docket and document on the court docket any fines, sentences, or court orders. This ensures the proper disposition of all cases has been entered in the court records.

D. The municipal division does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

E. Numerous traffic ticket books and at least one police department receipt book could not be located. As a result, it was not possible to account for all traffic tickets and all monies received by the municipal division.

Supreme Court Administrative Rule No. 8 requires that all financial records be maintained for five years or upon completion of an audit. Retention of applicable records is necessary to properly account for all municipal division monies received.

F. During our review, we noted the following concerns related to traffic tickets and complaint forms:

1) Neither the police department nor the municipal division maintains a log to account for traffic tickets and complaint forms assigned and issued and their ultimate disposition. In addition, complaint forms are not prenumbered, and voided traffic tickets are not properly defaced.

Without a proper accounting for the numerical sequence and disposition of traffic tickets and complaint forms, the police department and the municipal division cannot be assured that all tickets and complaint forms issued are properly submitted to the court. A record of the ultimate disposition of each traffic ticket and complaint form should be maintained to ensure all tickets and complaint forms have been accounted for properly.

2) The Court Clerk does not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas of findings of guilty on traffic violations under the laws of the state, county, or municipal ordinances to be forwarded to the MSHP within ten days.

G. The municipal division allows defendants to make partial payments on fines and court costs. However, the court does not maintain adequate records to account for individual and total amounts owed to the court and written and signed payment agreements are not

consistently obtained. We noted that partial payments made were not always recorded on the case file.

Accounts receivable records, including written and signed payment agreements, are necessary to ensure proper follow up action is taken and to facilitate monitoring of amounts due to the municipal division. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay fines and court costs.

H. During our review, we noted the following concerns relating to fees:

1) Crime Victim's Compensation (CVC) fees collected by the municipal division are deposited directly into the city treasury. The city has never remitted these fees to the state. Section 595.045.5, RSMo Cumulative Supp. 1998, requires 95 percent of the CVC fee to be paid to the state monthly.

2) Peace Officer Standards and Training Commission (POSTC) fees were not assessed or collected in accordance with state law. Section 590.140.1, RSMo Cumulative Supp. 1998, requires this fee to be charged on all court cases for violations of municipal ordinances except for cases dismissed by the court.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Hornersville Municipal Division as of and for the years ended April 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

Conditions similar to B.-G. were also noted in our prior report.

WE RECOMMEND the city of Hornersville Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

2. Record the method of payment on each receipt slip and reconcile the composition of monies received to the composition of monies deposited.

3. Review the exceptions noted to determine that all court collections were deposited into the city treasury. In addition, we recommend the municipal division deposit all monies intact daily or when accumulated receipts exceed $100.

4. Restrictively endorse all checks and money orders immediately upon receipt.

C. Ensure that case files are prepared for all tickets issued and final dispositions of cases are recorded on the court dockets.

D. Prepare monthly reports of court actions and file these with the city in accordance with state law.

E. Ensure all municipal division financial records are appropriately retained.

F.1. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued. In addition, all complaint forms issued should be prenumbered and voided tickets should be properly defaced.

2. Forward records of convictions on traffic offenses to the MSHP as required by state law.

G. Establish and maintain accounts receivable records and obtain written and signed payment agreements for those defendants which are allowed to pay fines and court costs over a period of time.

H.1. Determine and pay amounts due to the state for CVC, and in the future ensure CVC fees are remitted to the state in accordance with state law.

2. Assess POSTC fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and the Court Clerk provided the following responses:

A. The outside accountant will document an independent comparison of receipt slips to amounts deposited.

B.1. Receipt slips are issued for all monies received. Fines and costs are deposited directly into the city's Police Fund in a timely manner. Deposits are made at least weekly or when the amount exceeds $100. The police department no longer collects fine money.

2. The method of payment is now marked on each prenumbered receipt slip and reconciled to the deposit.

3. Before the audit, some court monies were deposited into other accounts. Now all monies are deposited on a timely basis. Each deposit goes directly into the proper account (water money into the Water Fund, fine money into the Police Fund, etc.). Court money is now kept in a separate box in another drawer.

4. Checks and money orders are now endorsed immediately upon receipt.

C.1. All tickets are assigned a case number as they are received by the Court Clerk. Money received at city hall has a prenumbered receipt slip issued at that time.

2. Each case has an individual court docket sheet attached to the case file. All cases are signed by the Municipal Judge at the time of disposition.

D. A monthly report is now filed on all cases heard in court. This report is reviewed by the Mayor and Council monthly.

E. Only one traffic ticket book is issued to the police department at a time. They cannot receive a new book until all tickets have been accounted for and the old book has been turned into the Court Clerk.

F.1. The Police Department has been advised that all traffic tickets must be accounted for. All voided traffic tickets must remain in the ticket book and VOID must be written across them. Complaint forms will no longer be used.

2. All required records of convictions on traffic offenses are now forwarded to the Missouri State Highway Patrol after each court.

G. Written and signed payment agreements are now used for anyone paying a fine in partial payments. All payments are recorded on the case file.

H.1. CVC fees collected by the municipal division are remitted to the state monthly. In July 1999, amounts due to the state for the previous year were remitted to the state.

2. POSTC fees are collected according to state law.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fifth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by eight of the municipal divisions of the Thirty-Fifth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the years ended 1993, 1992, and 1991. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Advance Municipal Division

A.1. The numerical sequence of receipt slips was not accounted for and receipt slips were not reconciled to transmittals or monthly reports.

2. Checks and money orders were not restrictively endorsed until deposited.

3. All persons collecting fines and court costs were not adequately bonded.

B. The Municipal Judge and Court Clerk were husband and wife.

C. The Municipal Judge had not issued a court order to formally establish the TVB, and a schedule of fines and costs had not been posted.

D. The court did not record the disposition of all cases on the docket.

E. Records of convictions on traffic ticket offenses were not always forwarded to the MSHP.

F. CVC and LET fees were not assessed in accordance with state law.

Recommendation:

The city of Advance Municipal Division:

A.1. Account for the numerical sequence of receipt slips issued and reconcile the receipt slips written to the monies transmitted to the city and the monthly report.

2. Restrictively endorse all checks and money orders immediately upon receipt.

3. Request the city to obtain a bond for all persons handling court monies.

B. Review and discuss this situation with the Mayor and the Board of Alderman to determine the proper resolution of any conflict.

C. Issue a court order to formally establish the TVB and post a schedule of fines and court costs at the TVB.

D. Document all case dispositions on the court docket and ensure that the Municipal Judge signs the docket.

E. Forward records of convictions on traffic offenses to the MSHP as required by state law.

F. Assess CVC and LET fees in accordance with state law.

Status:

A.1 & A.2. Partially implemented. The numerical sequence of receipt slips was usually accounted for and reconciled to the deposit slips; however, we noted a few deposit slips were not reconciled to receipts. Checks and money orders were endorsed when the daily deposits were prepared. Although not repeated in the current MAR, the municipal division should still consider fully implementing these recommendations.

A.3. Implemented. Bond coverage of $1,000 was obtained for the Court Clerk.

B. This recommendation does not apply to the current Municipal Judge and Court Clerk.

C. Implemented.

D&F. Not implemented. See MAR No. 1.

E. Partially implemented. Traffic tickets are forwarded to the MSHP; however, we noted two tickets that were not forwarded. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

2. City of Arbyrd Municipal Division

A.1. Receipt slips did not indicate the method of payment.

2. Receipts were not deposited on a timely basis.

B. An adequate bond ledger was not maintained and monthly listings of open items (liabilities) were not prepared.

C.1. CVC and LET fees were not assessed in accordance with state law.

2. The state's portion of CVC fees was remitted to the state approximately three times a year.

D. The Municipal Judge did not sign the docket after dispositions were recorded.

Recommendation:

The city of Arbyrd Municipal Division:

A.1. Indicate the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to bank deposits.

2. Deposit receipts daily or when accumulated receipts exceed $100.

B. Maintain a bond ledger, prepare monthly listings of open items, and reconcile this listing to monies held in trust.

C.1. Assess the CVC and LET fees in accordance with state law.

2. Remit CVC fees in accordance with state law.

D. Require the judge's signature on the court dockets.

Status:

A.1. Not implemented. See MAR No. 2.

A.2, C.& D. Implemented.

B. Partially implemented. A bond ledger is maintained; however, a monthly listing of open items (liabilities) is not prepared and reconciled to monies held in trust by the city. See MAR No. 2.

3. City of Bell City Municipal Division

A.1. Receipts were not issued for all monies collected. In addition, receipt slips issued were not prenumbered.

2. Receipts were not deposited intact and the composition of receipt slips was not reconciled to the composition of deposits.

B. CVC fees were not assessed in accordance with state law.

C. Records of convictions on traffic tickets were not forwarded to the MSHP on a timely basis.

D. The Municipal Judge had not issued a court order to formally establish the TVB, and a schedule of fines and costs had not been posted.

E. Monthly reports of all cases heard in court were not filed with the city.

Recommendation:

The city of Bell City Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips.

2. Discontinue the practice of cashing checks from daily collections and deposit all receipts intact and reconcile the composition of receipt slips to bank deposits.

B. Assess, collect, and remit CVC fees in accordance with state law.

C. Forward records of convictions on traffic offenses to the MSHP as required by state law.

D. Issue a court order to formally establish the TVB and post a schedule of fines and court costs at the TVB.

E. Prepare monthly reports of court actions and file these with the city in accordance with state law.

Status:

A.1. Not implemented. See MAR No. 3.

2. Partially implemented. Receipts are deposited intact; however, the compositions of receipt slips were not reconciled to deposits. See MAR No. 3.

B&E. Implemented.

C. Partially implemented. Traffic tickets are forwarded to the MSHP; however we noted one ticket that was not forwarded. Although not repeated in our current MAR, the municipal division should still consider fully implementing this recommendation.

D. Partially implemented. A schedule of fines and costs is posted; however, the Municipal Judge has not issued a court order to formally establish the TVB. See MAR No. 3.

4. City of Bloomfield Municipal Division

A.1. The numerical sequence of receipt slips was not accounted for and monthly reports were not reconciled to deposits in the city treasury.

2. Method of payment was not indicated on bond forms and deposit slips were not reconciled to receipt slips and bond forms.

B. The Municipal Judge and Court Clerk were husband and wife.

C. The court did not record the disposition of all cases on the docket and the Municipal Judge did not sign the docket after dispositions were recorded.

D. Neither the police department nor court maintained adequate records to account for traffic tickets assigned and issued and their ultimate disposition.

E. LET fees were not assessed in accordance with state law.

Recommendation:

The city of Bloomfield Municipal Division:

A.1. Account for the numerical sequence of bond forms issued and reconcile the monthly report to monies deposited in the city treasury.

2. Indicate the method of payment on each bond form issued and reconcile total cash, checks, and money orders received to bank deposits.

B. Review and discuss this situation with the Mayor and the City Council to determine the proper resolution of any conflict.

C. Document all case dispositions on the court docket and ensure that the Municipal Judge signs the docket.

D. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets issued. A system should also be developed to account for the ultimate disposition of all traffic tickets.

E. Collect LET fees on all violations of general city ordinances.

Status:

A. Partially implemented. The municipal division no longer accepts bond monies; however, total cash, checks and money orders received and monthly reports are not reconciled to deposits into the city treasury. See MAR No. 4.

B. This recommendation does not apply to the current Municipal Judge and Court Clerk.

C. Partially implemented. Case dispositions are documented on the court docket; however, the Municipal Judge does not sign the court docket after case dispositions are recorded. See MAR No. 4.

D&E. Implemented.

5. City of Campbell Municipal Division

A.1. Deposit slips did not indicate the composition of receipts and receipt slips were not reconciled to deposits.

2. Monthly reports of all cases heard in court were not filed with the city.

3. The numerical sequence of receipt slips was not accounted for properly.

B. Adequate records were not maintained to document amounts due from defendants.

C.1. The municipal division's bank account was reconciled once a year and a running balance was not maintained.

2. An adequate bond ledger was not maintained and monthly listings of open items (liabilities) were not prepared.

3. Bond refund checks were cashed out of court receipts; thus, fines and court costs were not deposited intact.

4. The municipal division's bank account included bonds totaling $663 for bonds that should have been refunded.

5. The police department collected some cash bonds that were not turned over to the court and deposited; they were given directly to the applicable law enforcement agency.

D.1. CVC and LET fees were not assessed in accordance with state law.

2. The state's portion of CVC fees was remitted to the state approximately twice a year.

E. Records of convictions on traffic tickets were not always forwarded to the MSHP.

F. The Municipal Judge had not issued a court order to formally establish the TVB, and the schedule of fines and costs had not been posted.

Recommendation:

The city of Campbell Municipal Division:

A.1. Reconcile the composition of receipt slips to bank deposits.

2. Include the collections on the monthly reports and reconcile to transmittals to the city.

3. Account for the numerical sequence of receipt slips.

B. Maintain complete detailed records of amounts due from defendants.

C.1. Reconcile the Bond Escrow Account on a monthly basis, record all transactions timely, and maintain a running balance in the checkbook register.

2. Maintain a bond ledger, prepare monthly listings of open items, and reconcile this listing to monies held in trust.

3. Discontinue the practice of cashing bond refund checks out of other cash collections.

4. Dispose of unclaimed bonds in accordance with state law.

5. Deposit all bond collections into the Bond Escrow Account and issue checks to applicable law enforcement agencies as needed.

D.1. Assess CVC and LET fees in accordance with state law.

2. Remit CVC fees in accordance with state law, including all past due amounts.

E. Forward records of convictions on traffic offenses to the MSHP as required by state law.

F. Issue a court order to formally establish the TVB and post a schedule of fines and costs at the TVB.

Status:

A.1,C.1,
C.3,C.4,
& D.1. Not implemented. See MAR No. 5.

A.2,A.3,
B, C.5,
D.2,
& E. Implemented.

C.2. Partially implemented. A bond ledger is maintained; however, no monthly listing of open-items is maintained and the ledger is not reconciled to monies held in trust. See MAR No. 5.

F. Partially implemented. A court order to formally establish the TVB was issued; however, a schedule of fines and costs has not been posted at the TVB. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

6. City of Cardwell Municipal Division

A.1. Receipt slips did not indicate the method of payment.

2. Receipts were not deposited on a timely basis.

B. Adequate records were not maintained to account for all traffic tickets and complaint forms assigned, issued, and their ultimate disposition.

C. Adequate records were not maintained to document amounts due from defendants.
D. The state's portion of CVC fees was remitted to the state approximately five times for a two year period and the amount remitted did not reconcile to total collections.

E. The Municipal Judge did not sign the docket after dispositions were recorded.

F. Monthly reports of all cases heard in court were not filed with the city.

Recommendation:

The city of Cardwell Municipal Division:

A.1. Indicate the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to bank deposits.

2. Deposit all receipts daily or when accumulated receipts exceed $100.

B. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets and complaint forms assigned and issued. A system should also be developed to account for the ultimate disposition of all traffic tickets and complaint forms.

C. Maintain detailed records of amounts due from defendants.

D. Determine and pay amounts due to the state for CVC, and in the future, ensure CVC fees are remitted to the state in accordance with state law.

E. Require the judge's signature on the court dockets.

F. Prepare monthly reports of court actions and file these in accordance with state law.

Status:

A.1. & F. Implemented.

A.2, C-E. Not implemented. See MAR No. 6.

B. Partially implemented. The police department does maintain a log that accounts for the numerical sequence off all tickets assigned and issued. However, the log does not include the ticket issuance date or the ultimate disposition of the ticket. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

7. City of Clarkton Municipal Division

A.1. Prenumbered receipt slips were not issued and police department receipt slips did not provide a duplicate copy.

2. Method of payment was not indicated on receipt slips and receipts slips were not reconciled to deposits.

3. Receipts slips were not issued for all monies collected.

4. Deposit slips did not indicate individual receipts, and receipts were not deposited intact.

5. Court receipt slips were not issued to the police department for monies transmitted to the court.

6. Cash bonds were not always deposited into the city's bank account but were held by the Court Clerk until disposition of the case.

B. Adequate records were not maintained to account for all traffic tickets issued by the police department. In addition, ticket books were not assigned in sequential order.

C. A bond ledger was not maintained and monthly listings of open items (liabilities) were not prepared.

D. Adequate records were not maintained to document amounts due from defendants. The court did not have procedures to maximize collections of amounts due to the court.

E.1. CVC and LET fees were not assessed in accordance with state law.

2. CVC and LET collections were not documented.

3. CVC fees were not disbursed to the state. The estimated amount the city owed the state was approximately $700 for the two years ended December 31, 1992.

F.1. The Municipal Judge did not sign the docket after dispositions were recorded.

2. The court did not record the disposition of all cases on the docket.

G. The Municipal Judge had not issued a court order to formally establish the TVB, and the schedule of fines and costs had not been posted.

H. Monthly reports of all cases heard in court were not filed with the city.

I. Records of convictions on traffic ticket offenses were not forwarded to the MSHP.

Recommendation:

The city of Clarkton Municipal Division:

A.1. Issue prenumbered, duplicate receipt slips and account for their numerical sequence.

2. Indicate the method of payment on each receipt slip and reconcile total cash, checks and money orders received to amounts deposited.

3. Issue receipt slips for all monies received.

4. Deposit receipts intact daily or when accumulated receipts exceed $100, record the composition of the deposit on the deposit slips and reconcile to the composition of the receipt slips, and separately record the receipts on the deposit slips or otherwise indicate which receipts make up a deposit.

5. Issue receipt slips or other documentation to the police department for all monies transmitted to the court.

6. Deposit all cash bonds in the city's bank account and make all subsequent disbursements of the bonds by check.

B. Work with the police department to ensure ticket books are issued in order and records are maintained to account for the numerical sequence of all tickets issued. A system should also be developed to account for the ultimate disposition of all traffic tickets.

C. Maintain a bond ledger, prepare monthly listings of open items, and reconcile this listing to monies held in trust.

D. Maintain detailed records of amounts due from defendants and establish procedures to maximize the collection of fines and court costs owed to the court.

E.1. Assess the CVC and LET fees in accordance with state law.

2. Maintain classified schedules of receipts to document amounts collected for fines, court costs, CVC, LET, and bonds.

3. Determine CVC fees due to the state and remit those amounts.

F.1. Require the judge's signature on the court dockets.

2. Include all cases and their dispositions in the court docket.

G. Issue a court order to establish the TVB and post a schedule of fines and costs at the TVB.

H. Prepare monthly reports of court actions and file these in accordance with state law.

I. Forward records of convictions on traffic offenses to the MSHP as required by state law.

Status:

A.1. Partially implemented. The court issues prenumbered, duplicate receipt slips; however, the numerical sequence is not accounted for. In addition, the police department does not retain a copy of receipt slips issued. See MAR No.7.

A.2, A.3,
A.5, C,
D, E.1-3,
F.-I. Not implemented. See MAR No. 7.

A.4. Partially implemented. Receipts are deposited three to four times a week and court receipts are recorded on a separate deposit slip; however, the composition of the deposit is not indicated on the deposit slip, monies are not deposited intact, and the deposit slips do not indicate the individual receipts composing the deposit. See MAR No. 7.

A.6. Implemented.

B. Partially implemented. Traffic ticket books are issued in order; however, no records are maintained to account for the numerical sequence of all tickets issued and the ultimate disposition. See MAR No. 7.

8. City of Hornersville Municipal Division

A.1. Duplicate copies of receipt slips issued by the police department were not retained.

2. Receipts were not deposited on a timely basis.

3. Court receipt slips were not issued to the police department for monies transmitted to the court.

4. Checks and money orders were not restrictively endorsed until deposited.

5. The numerical sequence of receipt slips was not accounted for and receipt slips were not reconciled to deposits. The method of payment was not always correctly recorded on the receipt slips. In addition, deposit slips did not indicate individual receipts and the composition of the deposit.

6. Police department receipt slips were not prenumbered and did not provide a duplicate copy.

B. Adequate records were not maintained to account for all traffic tickets and complaint forms assigned, issued and their ultimate disposition. In addition, complaint forms were not prenumbered.

C.1. The Municipal Judge did not include all cases in the official court docket.

2. The court did not maintain case files for documents which supplemented the official court docket.

D. Adequate records were not maintained to document amounts due from defendants. The court did not have procedures to maximize collections of amounts due to the court.

E. The schedule of fines and costs was not posted at the TVB.

F. Records of convictions on traffic ticket offenses were not always forwarded to the MSHP.

G. Monthly reports of all cases heard in court were not filed with the city.

Recommendations:

The city of Hornersville Municipal Division:

A.1. Retain copies of all receipt slips.

2. Deposit receipts at least monthly.

3. Issue receipt slips to the police department for all monies transmitted to the court.

4. Restrictively endorse all checks and money orders immediately upon receipt.

5. Accurately record the composition of receipts and deposits and reconcile the two records. List individually each receipt included in the deposit.

6. Work with the police department to issue prenumbered, duplicate receipt slips and account for their numerical sequence.

B. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets and complaint forms issued. A system should be developed to account for the ultimate disposition of all traffic tickets and complaint forms.

C.1. Include all cases and their ultimate disposition in the court docket.

2. Retain all court documents.

D. Maintain complete detailed records of amounts due from defendants.

E. Post a schedule of fines and costs at the TVB.

F. Forward records of convictions on traffic offenses to the MSHP as required by state law.

G. Prepare monthly reports of court actions and file these in accordance with state law.

Status:

A.1-A.5,
B-D,
F&G. Not implemented. See MAR No. 9.

E. Implemented.

A.6. Partially implemented. The police department issues prenumbered, duplicate receipt slips; however, the numerical sequence is not accounted for properly. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

STATISTICAL SECTION

History, Organization, and
Statistical Information

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Thirty-Fifth Judicial Circuit is composed of Dunklin and Stoddard counties. The Honorable Stephen R. Sharp serves as Presiding Judge. This report includes nine of the sixteen municipal divisions within the Thirty-Fifth Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality, the county, or the state of Missouri, as applicable.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Advance

Organization

The City Collector serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The police department collects fines, court cost, and bond monies when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. Fines, court costs, and bond monies collected are deposited directly into the city treasury daily. Bond monies are held in the city treasury pending disposition. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	David DeVaughn
City Collector/Court Clerk**	Bonnie Umfleet

* Howard Stevens served as Municipal Judge prior to February 1997.
** Mary Stevens served as Court Clerk prior to June 1997. Linda Weissenborn served as Court Clerk during June and July 1997. Bonnie Umfleet became the Court Clerk

in August 1997.

Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed	311	358

2. City of Arbyrd

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The police department collects bonds when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. Fines, court costs, and bond monies collected are deposited directly into the city treasury daily. Bond monies are held in the city treasury pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	James R. Bruce
City Clerk/Court Clerk	Alice Gibson

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	82	99

3. City of Bell City

Organization

The City Clerk serves as the TVB Clerk and is responsible for recording TVB transactions as well as handling TVB collections. Fines, court costs, and bond monies collected at the TVB are deposited directly into the city treasury daily. Bond monies are immediately disbursed to the proper court. Although monies are collected at the TVB, a court order has not been issued to formally authorize the collection of fines and court costs at times other than court. The Associate Circuit Judge of Stoddard County serves as the judge for this municipality.

Personnel

Associate Circuit Judge	Joe Z. Satterfield
City Clerk/TVB Clerk	Mildred Rivers

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of tickets issued	23	93

4. City of Bloomfield

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Prior to May 1997, the police department also handled collection of receipts. Fines, court costs, and bond monies collected by the Court Clerk and the police department are deposited directly into the city treasury. Bond monies are held in the city treasury pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	James Tweedy
Court Clerk**	Sara Hutchinson

* Howard Stevens served as Municipal Judge prior to March 1997.
** Mary Stevens served as Court Clerk prior to March 1997.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	232	143

5. City of Campbell

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The City Collector and police department also handle collections of receipts. Fines and court costs collected are transmitted daily to the City Collector for deposit into the city treasury. Bond monies collected are transmitted daily to the City Collector for deposit into a municipal division bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Barbara Godley
City Clerk/Court Clerk	Randall Baker
City Collector	Frankie Thomason

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	353	310

6. City of Cardwell

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The police department collects fine and court cost monies when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. Fines and court costs collected are deposited directly into the city treasury approximately twice a month. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	John McMullan
City Clerk/Court Clerk	Melony Back

* W.G. Davis served as Municipal Judge prior to April 1997.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of tickets issued	214	256

7. City of Clarkton

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The police department collects fine, court costs, and bond monies when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. Fines and court costs collected are deposited directly into the city treasury daily. Bond monies are deposited into a municipal division bank account pending disposition. Prior to June 1998, bond monies were held in the city treasury. Court is held once a month. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Phillip Britt
City Clerk/Court Clerk**	Patricia Caples

* Jim Bruce served as Municipal Judge prior to May 1998.
** Francis Reynolds served as Court Clerk prior to May 1998.

Caseload Information

	Year Ended December 31	
	1998	1997
Number of cases filed	260	162

8. City of Dudley

Organization

Court operation began in July 1996. The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury as received. Court is held every ten weeks, if necessary. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and court costs at times other than during court.

Personnel

Municipal Judge	Norman Swafford
City Clerk/Court Clerk	Glenda Miller

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	1	15

9. City of Hornersville

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The police department collects fines and court costs when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. Fines and court costs collected are deposited directly into the city treasury approximately four times a year. The court had no bond activity during the audit period. Court is held once a month, as necessary. A TVB has been established to receive payment of fines and court costs at times other than during court.

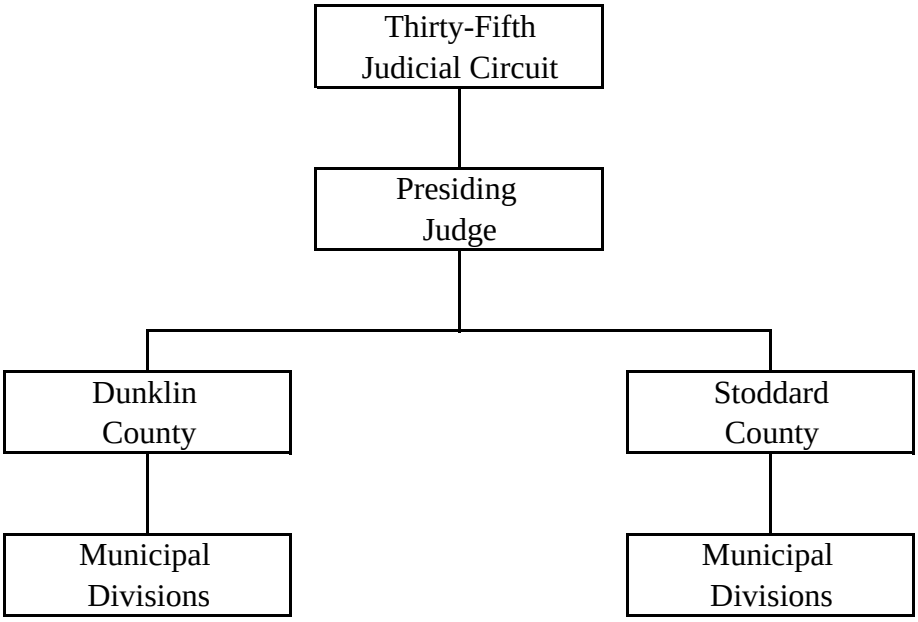
Personnel

Municipal Judge	J. Michael Mowrer
City Clerk/Court Clerk	Debbie Mansfield

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	14	72

THIRTY-FIFTH JUDICIAL CIRCUIT
ORGANIZATION CHART



City of Arbyrd
City of Campbell
City of Cardwell
City of Clarkton
City of Holcomb *
City of Hornersville
City of Kennett *
City of Malden *
City of Senath *

City of Advance
City of Bell City
City of Bernie *
City of Bloomfield
City of Dexter *
City of Dudley
City of Puxico *

* Reported on separately.

* * * * *

COLFAX TOWNSHIP

HARRISON COUNTY, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-62
August 26, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to petitioners from Colfax Township in Harrison County, Missouri.

Colfax Township did not prepare a budget for 1998. While a budget was prepared for 1997, various problems were noted including budgetary overspending and a lack of sufficient and accurate information in the budget document. Actual expenditures in 1997 exceeded the budgeted amount by $11,881. Missouri state law requires townships to keep expenditures within budgeted amounts, unless the governing body approves a resolution authorizing the additional expenditures.

The former township trustee was overpaid $3,150 in commissions during the period from January 1996 to April 1999. The township collector's commissions were incorrectly calculated in 1998 and other compensation paid to township officials did not appear to be in accordance with state law. The township did not properly report compensation and withhold payroll taxes related to compensation paid to township officials.

The former township president was paid $1,475 during 1997 for operating the township's equipment. There was no documentation these services were competitively bid. Such compensation is prohibited unless the transaction is competitively bid. The township does not have a formal bidding policy and has not entered into written contracts for various services received or performed.

The township board does not publish annual financial statements and inventory listings as required by state law. Annual financial statements and inventory listings should be published in a local newspaper which serves the township. In addition, the township's 1997 annual financial report submitted to State Auditor's office was not accurate and an annual financial report for 1998 has not been filed as required.

The board has not held public hearings regarding the township's proposed property tax levies as required. Notices of regular meetings were not posted as required by state law.

An independent review of the records of the township trustee is not performed. Monthly bank reconciliations had not been performed since June 1998, and the receipts and disbursements ledger was not up-to-date. Checks were not restrictively endorsed and voided checks were not retained. In addition, the trustee and other township officials were not properly bonded.

The township does not maintain property records and a formal maintenance plan for township roads has not been prepared.

FACT SHEET

COLFAX TOWNSHIP

HARRISON COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Directors
Colfax Township
Harrison County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Colfax Township, Harrison County, Missouri. Our audit of the township included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, policies, and various township financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the township and was not subjected to the auditing procedures applied in the audit of the township.

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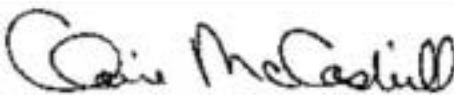
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Colfax Township, Harrison County, Missouri.



Claire McCaskill
State Auditor

April 14, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

COLFAX TOWNSHIP
HARRISON COUNTY, MISSOURI
HISTORY AND ORGANIZATION

Colfax Township is one of 20 townships in Harrison County and is located in the northern part of that county. Harrison County elected a township organization in 1845. There are approximately 62 miles of gravel roads maintained by the township. The population of the township in 1990 was 512.

The township's elected Board of Directors (governing body) consists of the township trustee (board member), who serves as the ex officio treasurer, and two members of the township board. One of these two board members is appointed by the board as president. Other officers are the township clerk and the township collector. All officers are elected biennially and take office in April following the election.

Officers at December 31, 1998 were as follows:

	Term Expires	Actual Compensation For the Year Ended December 31, 1998	Amount of Bond
John Bergman, Trustee and Ex Officio Treasurer(1)	April 1999	$3,014	
Charlie Henson, President(2)	April 1999	65	
Vacant, Member(3)	April 1999	N/A	
Sandra Osborn, Collector(4)	April 1999	3,100	$90,000
Catherine Bergman, Clerk(5)	April 1999	130	

(1) Gene Frisbie was elected Trustee and Ex Officio Treasurer in April 1999.
(2) Larry Baxter was elected to the board in April 1999 and was appointed President.
(3) Steve Hoffman resigned in November 1998, and Gary Campbell was appointed in February 1999 to serve the remainder of the term. Rod Cook was elected to the board in April 1999.
(4) Sandra Osborn was re-elected Collector in April 1999.
(5) Jeanie Thrailkill was elected Clerk in April 1999.

::
Assessed valuation and tax rate information for 1998 and 1997 were as follows:

ASSESSED VALUATION		1998		1997
Real estate	$	3,361,731	$	3,298,816
Personal property		1,238,464		1,327,411
Total	$	4,600,195	$	4,626,227

TAX RATES PER $100 OF ASSESSED VALUATION

General revenue	$	0.10	$	0.10
Road and bridge		0.41		0.40
Special road and bridge		0.35		0.35

A summary of the financial activity of the Colfax Township for the year ended December 31, 1998, is presented below:

RECEIPTS:		
Property taxes	$	40,236
Financial institution taxes		866
Motor fuel taxes		445
Interest		372
Other		167
Total Receipts		42,086
DISBURSEMENTS:		
Road materials		5,684
Labor		9,790
Rock		9,662
Equipment		7,537
Payments to township officials		3,275
Insurance		5,381
Fuel		1,902
Other		330
Total Disbursements		43,561
RECEIPTS OVER (UNDER) DISBURSEMENTS		-1,475
CASH BALANCE, JANUARY 1,		4,660
CASH BALANCE, DECEMBER 31,	$	3,185

MANAGEMENT ADVISORY REPORT

COLFAX TOWNSHIP
HARRISON COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Township Officials' Compensation (pages 9-11)

The former township trustee was overpaid $3,150 in commissions during the period from January 1996 to April 1999. The township has not established policies and procedures regarding the township trustee's commissions. The township collector's commissions were incorrectly calculated, resulting in $862 in excess commissions being retained. In addition, other compensation paid to township officials did not appear to be in accordance with state law. The township did not properly report compensation and withhold payroll taxes related to compensation paid to township officials.

2. Expenditures (pages 12-15)

In 1997, the former board president was compensated $1,475 for operating the township's equipment, without adequate documentation indicating these services were bid. Disbursements approved by the board for payment were not adequately documented. Various disbursements were made without board approval, receipt of goods or services was not always documented, invoices were not always marked paid, and adequate supporting documentation was not retained for some expenditures. The township does not have a formal bidding policy and has not entered into written contracts for various services received or performed. The township did not properly report payments for nonemployee services to the Internal Revenue Service.

3. Budgets and Financial Reporting (pages 15-17)

The township did not prepare a budget for 1998. While a budget was prepared for 1997, various problems were noted including budgetary overspending and a lack of sufficient and accurate information in the budget document. The township does not publish annual financial statements and inventory listings as required by state law. The township's 1997 annual financial report submitted to the State Auditor's office was not accurate and an annual financial report for 1998 has not been filed as required.

4. Accounting Records and Procedures (pages 17-19)

An independent review of the records of the township trustee is not performed. Monthly bank reconciliations had not been performed since June 1998, and the receipts and disbursements ledger was not up-to-date. Checks were not restrictively endorsed and voided checks were not properly retained. The township trustee did not file an annual statement of financial activity with the township clerk as required. The township trustee has not been bonded as required, nor have other authorized check signers been bonded. The township does not maintain property records.

5. Township Collector's Accounting Controls (pages 19-20)

Formal bank reconciliations are not performed. Monies received are not always deposited intact or on a timely basis. Checks and money orders are not restrictively endorsed immediately upon receipt and voided checks are not always retained.

6. Minutes, Meetings, and Access to Records (pages 20-21)

Board minutes are generally not signed by the clerk or a member of the board and minutes do not generally include sufficient detail of matters discussed and actions taken. The board has not held public hearings regarding the township's proposed property tax levies as required. Notices of regular meetings were not posted as required by state law. The township does not have a formal policy regarding public access to township records.

7. Road Maintenance Plan (page 22)

A formal maintenance plan for township roads has not been prepared.

1. Township Officials' Compensation

A. The township trustee, as ex officio treasurer, receives commissions for receiving and disbursing the monies of the township. We noted the following concerns regarding the commissions paid to former Trustee and Ex Officio Treasurer Bergman:

1) During the period from January 1996 through April 1999, former Trustee Bergman received commissions totaling $4,559. However, this official only earned $1,409 in commissions during this period (based on actual disbursements), resulting in an overpayment of $3,150.

The amounts paid to former Trustee Bergman included three payments made in 1998, totaling $1,400, which were apparently made without the board's knowledge or approval. This was possible because both Mr. Bergman and his wife (the former township clerk) served as authorized signers on the township bank account.

It appears this situation occurred because former Trustee Bergman did not properly follow the statutes in determining the commissions owed. Section 65.230(2), RSMo 1994 and Cumulative Supp. 1998, provide for the township trustee to be compensated two percent on the first $1,000 and one percent on all amounts above $1,000 for receiving and disbursing all monies as ex officio treasurer.

Former Trustee Bergman indicated that he believed he was entitled to a two percent commission on all amounts disbursed. In addition, he indicated that the additional payments made to himself in 1998 were for commissions earned but not taken in previous years. Trustee Bergman held that position from 1977 until April 1999. While it appears there were some years where commissions were not paid, the additional payments made in 1998 were not justified. Based on a worksheet prepared by Trustee Bergman documenting the township's expenditures and commissions paid to himself over the past twenty-two years, had the commissions been calculated correctly, the amount of excess commissions received by Trustee Bergman would be even greater than the $3,150 noted above.

The board should review this situation and ensure the amount of excess commissions paid to former Trustee Bergman are recovered.

2) The township has not established any policies and procedures requiring the township trustee to take commissions when they are earned or to ensure the commissions claimed by the trustee are properly calculated.

Payments to former Trustee Bergman were made sporadically and did not appear to correlate with the expenditures of any particular year. In some years no commissions were paid, and in recent years the payments were generally in even dollar amounts. The township could not locate documentation to support how the various commission payments were determined.

The board should establish policies and procedures regarding the commissions due to the township trustee. Such policies and procedures should require the board to ensure the commissions are paid when earned, are properly calculated, and fully documented.

B. Commissions due Township Collector Osborn were incorrectly computed for December 1998. As a result, $862 was improperly retained and not distributed to other county funds and political subdivisions, including the township. Even though the County Clerk in Harrison County calculated the commissions owed to the township collector, the township collector should review the commissions owed to her to ensure proper commissions are withheld from taxes collected and all county funds and political subdivisions receive the proper share of taxes collected.

After we noted this error, the township collector repaid the $862 in excess commissions in April 1999, and this amount was distributed to the various political subdivisions.

C. Other concerns were noted regarding compensation paid to township officials. Prior to August 1998, Section 65.230(1), RSMo 1994, established certain compensation for various township officials. That statute provided that each township board member (including the trustee) and the clerk were to receive a $6 fee for the first board meeting in a month and $2.50 for each subsequent board meeting that month. This section was revised in August 1998 and authorized the township board and clerk to receive up to $25 per day for the first meeting each month and up to $10 for each meeting thereafter during the month.

Compensation paid to township officials did not comply with the above statute. It appears for a number of years the township's policy has been to pay the board members and the clerk $10 per meeting. In November 1998, the board changed this policy to $25 per meeting (in accordance with the revised statute). In addition, the township clerk has received an additional twenty-five cents for each check written, even though this fee does not appear to be authorized by statute. Further, the township clerk and trustee received fees for meetings on several occasions when no

official board meeting was held. It appears the payment of this compensation is authorized only if an official meeting of the board is held.
Although the amount of additional compensation paid to township officials as a result of these matters does not appear significant, the township board should review this situation and ensure any future compensation paid to township officials is in accordance with the law.

D. The township does not properly report compensation, withhold payroll taxes, or pay the employer's share of social security on the commissions and/or fees paid to the board members, trustee and ex officio treasurer, and the township clerk.

The Internal Revenue Code requires employers to report such compensation on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 1994, includes requirements for reporting such compensation and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 1994, defines an appointive officer or employee of a political subdivision as an employee for social security tax purposes.

WE RECOMMEND the Township Board:

A.1. Review this situation and ensure the amount of excess commissions paid to former Trustee Bergman is recovered.

2. Establish policies and procedures which ensure the commissions earned by the township trustee are taken when earned, are properly calculated, and are fully documented.

B. And the township collector ensure commissions retained on property tax collections are calculated correctly.

C. Review this situation and ensure any compensation paid to township officials complies with the law.

D. Ensure payroll taxes are properly withheld and remitted for any commissions or fees paid to township officials. In addition, the board should ensure that such compensation is properly reported.

AUDITEE'S RESPONSE

A.1. The Township Board indicated it will take this matter under consideration.

A.2.,C, & D. The Township Board concurs.

B. The Township Board and the Township Collector concur.

2. Expenditures

A. Former Board President Henson was paid $1,475 during the year ended December 31, 1997, for operating the township's equipment. According to the township minutes, the board president provided these services because the township could not find anyone else to perform them; however, there was no documentation these services were competitively bid or indicating what efforts were made to obtain these services from other individuals/entities.

At the time these expenditures occurred, Section 105.454, RSMo 1994, prohibited an elected or appointed official of any political subdivision from performing any service for that political subdivision for compensation in excess of $500 per year unless the transaction(s) was made pursuant to an award on a contract made after public notice and competitive bidding, provided that the bid or offer was the lowest received. In 1998, this threshold was changed to $500 per transaction or $1,500 per year.

B. Although there was an occasional reference to a specific invoice being approved for payment, the board minutes usually made only a general reference that expenditures were approved by the board for payment. A listing of the specific expenditures approved by the township board for payment was not prepared and signed by the board members documenting their approval.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the members to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the township board before payment is made to ensure all disbursements represent valid and reasonable operating costs of the township.

C. The following concerns were noted during a review of paid bills:

1) In addition to the three unauthorized payments discussed in MAR No. 1.A., we noted a number of other disbursements made by the township trustee and the clerk without the board's approval. It appears that a lack of regular monthly meetings may have contributed to this situation. During 1998, meetings were held sporadically, making it difficult to ensure the prompt and timely processing and payment of invoices.

Procedures should be established to ensure all expenditures are reviewed and approved by the township board on a timely basis. This may require the board to hold meetings on a more frequent (such as monthly) basis.

2) Acknowledgment of receipt of goods or services is not always documented on invoices. This is necessary to ensure that all goods or services paid for are actually received.

3) Invoices are not always marked paid or otherwise canceled upon payment. Although no duplicate payments were noted, the possibility of this is increased when invoices are not properly canceled.

4) Vendor invoices or other supporting documentation were not retained for some expenditures. These expenditures included $4,221 in contracted labor and other services, as well as several payments to township officials. All expenditures should be supported by adequate supporting documentation to ensure the obligations were actually incurred and the expenditures represent appropriate uses of public funds.

D. The township does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Bids were not solicited or bid documentation was not retained for the following purchases:

Motor grader	$41,075 (represents total payments related to a six year lease purchase contract entered into in 1997).
Equipment repair	1,759
Contract labor	2,262
Snow removal	1,444
Insurance	5,381
Fuel	1,902

Formal bidding procedures for major purchases provide a framework for economical management of township resources and help ensure the township receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the township's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

E. The township has not entered into written contracts for various contracted services received. For example, the township has not entered into formal written contracts for

repairs to bridges, road maintenance, snow removal, or equipment repair. In addition, we noted an instance where the township decided to upgrade a road and an adjacent landowner agreed to pay a portion of the costs. However, this agreement was not in writing.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The township should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

F. The township did not prepare Forms 1099-Miscellaneous as required. In addition to the payments to the board member noted in A. above, the township also paid $5,465 for other nonemployee services during 1998 which was subject to Form 1099-Miscellaneous reporting.

Sections 6041 through 6051 of the Internal Revenue Code require nonemployee payments of at least $600 in one year to an individual or unincorporated business be reported to the federal government on Forms 1099-Miscellaneous.

WE RECOMMEND the Township Board:

A. Refrain from paying township officials for services provided to the township (or entering into any other business transaction with a township official) unless such services or transactions are properly bid in accordance with state law.

B. Ensure the approval of all disbursements is adequately documented by including a complete list of approved bills with the minutes. Such lists should be signed by the board members documenting their approval.

C.1. Establish procedures to ensure all expenditures are properly reviewed and approved by the board on a timely basis.

2. Require evidence of receipt of goods or services on each invoice before making payment.

3. Ensure all invoices or other supporting documentation are canceled or marked paid upon payment.

4. Ensure adequate supporting documentation is maintained for all expenditures.

D. Establish a formal bidding policy and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.

E. Enter into written contracts, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary.

F. Ensure Forms 1099-Miscellaneous are prepared and submitted to the Internal Revenue Service as required.

AUDITEE'S RESPONSE

A. The Township Board concurs.

Former Board President Henson indicated the Township Board tried to find a responsible individual to operate the township's equipment but was unsuccessful in doing so. He indicated that he and former Board Member Hoffman then met with the Harrison County Commission and discussed this matter. The commission indicated that having a township official perform and be compensated for this work would not be a problem if the township could not find anyone else to perform these services. The commission also indicated that the situation should be documented in the township board's minutes.

Former Board President Henson indicated that the Township Board discussed the matter of him performing these services on several occasions and this was approved by the entire board prior to him actually performing the work. However, former Board President Henson agrees the board minutes do not include adequate detail to explain and document this situation.

B-F. The Township Board concurs.

3. Budgets and Financial Reporting

A. The township board did not prepare a budget for the year ended December 31, 1998. While a budget was prepared for 1997, a review of that budget document and related practices disclosed the following concerns:

1) Actual expenditures in 1997 exceeded the budgeted amount by $11,881.

Section 67.040, RSMo 1994, requires a political subdivision to keep expenditures within budgeted amounts, unless the governing body adopts a resolution documenting the reasons making any additional expenditures necessary and approves or adopts a resolution to authorize the expenditures.

2) The 1997 actual and estimated revenues and expenditures as well as the prior year actual amounts were presented only in total and not by major revenue and expenditure category.

3) The 1996 actual amount reported for expenditures was not presented accurately, but was $5,339 more than actual expenditures.

4) The board did not periodically compare actual revenues and expenditures to amounts budgeted.

5) The board did not formally approve the budget. Indication of approval of the budget should be documented in the official minutes of the board.

Section 67.010, RSMo 1994, requires each political subdivision to prepare an annual budget, and Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for township operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. Further, Section 65.380, RSMo 1994, requires the township board of directors to prepare and file with the county clerk an annual estimate of the amount of money required to defray the expenses of the township.

B. The township board does not publish annual financial statements and inventory listings as required by law. Section 231.280, RSMo 1994, requires the township to publish annual financial statements and inventory listings in any newspaper of general circulation within the township which is published in the county. Publication of an annual financial statement would allow residents to be better informed as to the township's financial activity and condition.

At a minimum, the published financial statements should contain the beginning cash balance, actual receipts by source for the year, actual expenditures by major category for the year, and the ending cash balance.

C. Section 105.145, RSMo 1994, requires the township to file a financial report with the State Auditor's office annually. It appears the 1997 annual financial report was not accurate and overstated receipts and expenditures by $594 and $4,042, respectively. In addition, the annual report for 1998 had not been prepared and submitted to the State Auditor's office as of June 1, 1999. The financial report is to be filed within four months after the end of the township's fiscal year (the requirement is six months

after the end of the fiscal year if an audit report prepared by a certified public accountant (CPA) is filed).

The township should ensure the annual financial reports required to filed with the State Auditor's office pursuant to Section 105.145, RSMo 1994, are complete and accurate.

WE RECOMMEND the Township Board:

A. Ensure complete and accurate budgets are prepared annually. The board should ensure actual expenditures do not exceed budgeted amounts and periodically compare actual revenues and expenditures with budgeted amounts to monitor township finances. In addition, the board's approval of the budget should be documented.

B. Ensure annual financial statements and inventory listings are published in accordance with state law.

C. Ensure the annual financial reports filed with the State Auditor's office accurately present the financial activity of the township and are filed within four months after the end of the township's fiscal year (or six months after the end of the fiscal year if a CPA audit report is filed).

AUDITEE'S RESPONSE

A-C. The Township Board concurs.

4.	Accounting Records and Procedures

A. The township trustee is responsible for the duties of receiving, recording, and depositing receipts, preparing checks, recording disbursements, reconciling bank accounts, and serving as co-signer on some checks. While it appears the trustee is statutorily responsible for these duties, internal controls could be improved if the township board required someone having no access to cash and no record keeping responsibilities to receive and review the bank statements and bank reconciliations and review other accounting records on a periodic basis.

B. Bank reconciliations had not been performed and documented by the township trustee since June 1998. In addition, a current book balance has not been maintained in the check book.

Monthly bank reconciliations should be prepared to ensure that all accounting records balance, that transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the

reconciliations should be retained. In addition, a book balance should be maintained to facilitate the reconciliations.

C. The township trustee did not adequately maintain the accounting records. Receipts were posted to the ledger maintained by the trustee; however, the date the monies were received was not always indicated. In addition, as of April 1999, the trustee had not recorded any receipts or disbursements in the ledger since November 1998.

To ensure all receipt and disbursement transactions are properly accounted for, records should be maintained up-to-date and include all necessary information.

D. Checks were not restrictively endorsed. The township trustee just signed his name on the back of the checks being deposited. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

E. Voided checks were not properly retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

F. The township trustee did not file an annual statement of financial activity with the township clerk as required by law. It appears this was not done because the two officials who held these offices during the audit period were married and worked together in maintaining the records.

Section 65.500, RSMo 1994, requires the trustee to file with the township clerk a detailed statement of all money received and paid out during the year, and the cash balance on hand. This statement should be filed in April of each year.

G. It appears the township trustee has not been bonded for many years even though a bond is required by law. In addition, the president of the board and the clerk were co-signers on the bank account but were not bonded.

Section 65.460, RSMo 1994, requires the township trustee and ex officio treasurer to be bonded in an amount equal to one-half the largest amount on deposit during the year preceding his election or appointment. In addition, although two signatures are required on each check, failure to properly bond any individuals who have check signing authority exposes the township to risk of loss.

H. The township does not maintain property records to account for fixed assets owned by the township. In addition, the fixed assets have not been tagged or otherwise identified as property of the township.

Adequate fixed asset records are necessary to secure better internal control over assets and provide a basis for determining adequate insurance coverage. Additionally, properly tagged items help assure the township that all fixed assets are included on the fixed asset records, and are identified as belonging to the township.

WE RECOMMEND the Township Board:

A. Consider requiring that the bank statements be received and the bank reconciliations should be reviewed by someone having no access to cash, and no record keeping responsibilities. Other accounting records should also be periodically reviewed by an independent person.

B. Ensure monthly bank reconciliations are properly prepared. In addition, a book balance should be maintained to facilitate the reconciliations.

C. Ensure the township's accounting records are maintained up-to-date and include all necessary information.

D. Require all checks to be restrictively endorsed immediately upon receipt.

E. Require all voided checks be defaced and retained.

F. Require the trustee to file an annual statement of financial activity with the township clerk each April, as required by statute.

G. Ensure the township trustee is bonded in accordance with statutory requirements. In addition, the board should consider obtaining adequate bond coverage for any other individuals who are authorized check signers.

H. Establish a record of the fixed assets owned by the township. Additionally, the township should properly tag, number, or otherwise identify all township property above an established dollar limit.

AUDITEE'S RESPONSE

A. The Township Board will consider this recommendation; however, it indicated that the Township Clerk is now also involved in some of these record keeping duties.

B-H. The Township Board concurs.

5. Township Collector's Accounting Controls

A review of the township collector's records and procedures disclosed the following concerns:

A. Formal bank reconciliations are not performed. Monthly reconciliations, reconciling the bank balance to the check book balance and to the amount of the monthly

turnovers, should be prepared to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained.

B. Monies received are not always deposited intact or on a timely basis. During our review, we noted the collector withheld $100 in cash from receipts for commissions, instead of disbursing this amount to herself by check. In addition, only three deposits, totaling $22,037, were made during November 1998. The last of these deposits was made on November 18, 1998, with the next deposit not being made until December 17, 1998.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed $100. In addition, all disbursements should be made by check.

C. Checks and money orders are not restrictively endorsed immediately upon receipt, but upon preparation of the deposit. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. Voided checks are not always retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

WE RECOMMEND the Township Board ensure the Township Collector:

A. Prepares formal bank reconciliations monthly.

B. Deposits all receipts intact daily or when accumulated receipts exceed $100. In addition, all disbursements should be made by check.

C. Restrictively endorses all checks and money orders immediately upon receipt.

D. Properly retains all voided checks.

AUDITEE'S RESPONSE

A, C, & D. The Township Board and the Township Collector concur.

B. The Township Board and the Township Collector indicated an effort will be made to deposit on a more timely basis. In addition, all disbursements will be made by check.

6. Minutes, Meetings, and Access to Records

A. Board minutes were prepared by the township clerk; however, they were not generally signed by the clerk. In addition, no member of the township board signed the minutes. The board minutes should be signed by the clerk and a designated member of the board to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

B. The board minutes did not generally include sufficient detail of matters discussed and actions taken at the board's meetings. For example, in January 1997 the township entered into a lease-purchase agreement for a new motor grader; however, the minutes did not include any details regarding the acquisition of the grader or the related lease agreement. In addition, the minutes of the board meetings did not always contain information required by statute. When the minutes indicated a motion had been passed, the minutes did not generally indicate the number of votes for and against.

   Complete and accurate minutes provide an official record of board actions and decisions. In addition, Section 610.020, RSMo 1994, states that "the minutes shall include the date, time, place, members present, members absent, and a record of votes taken."

C. The board has not held public hearings on the township's proposed property tax levies. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing.

D. Notices of the regular board meetings were not posted as required by law. Section 610.020, RSMo Cum. Supp. 1998, requires all public governmental bodies to give advance notice of their meetings. The notice is to include the time, date, and place of the meeting, as well as the tentative agenda, and should be given in a reasonable manner. This section of law describes reasonable notice as making available copies of the notice to any representative of the news media, and the posting of such notice at the building where the meeting is to be held.

E. The township does not have a formal policy regarding public access to township records. A formal policy regarding access to township records would establish guidelines for the township to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo Cum. Supp. 1998, lists requirements of making township records available to the public.

WE RECOMMEND the Township Board:

A. Ensure the township clerk and a designated member of the board sign the minutes to attest to their completeness and accuracy.

B. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.

C. Hold a public hearing on proposed property tax rates as required by state law.

D. Ensure that notices of board meetings are posted as required by law.

E. Establish a formal policy and procedures regarding public access to township records.

AUDITEE'S RESPONSE

A-E. The Township Board concurs.

7. Road Maintenance Plan

A formal maintenance plan for township roads is not prepared. A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, the board should consider holding a public hearing to obtain input from township residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of roads throughout the year.

WE RECOMMEND the Township Board prepare and document a maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of roads to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Township Board concurs.

This report is intended for the information of the township's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

HOWELL COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-61
August 24, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Howell, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Howell County was a financial and compliance audit of various county operating funds.

There were no new findings or additional comments made during this audit.

HOWELL COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Howell County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Howell County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Howell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Howell County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Howell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Howell County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*,

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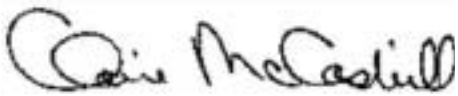
as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 20, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

April 20, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Howell County, Missouri

We have audited the special-purpose financial statements of various funds of Howell County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Howell County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Howell County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

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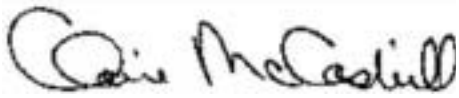
in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Howell County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 20, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOWELL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	271,498	2,498,775	2,511,365	258,908
Special Road and Bridge		172,568	1,375,469	1,333,937	214,100
Assessment		835	280,030	269,007	11,858
School Resource Officer		23,865	40,316	35,991	28,190
Law Enforcement Training		8,797	11,544	11,549	8,792
Prosecuting Attorney Bad Check		33,641	41,100	55,265	19,476
Recorder's Special		96,995	21,156	56,910	61,241
Prosecuting Attorney Training		4,223	2,435	3,212	3,446
911 Emergency Telephone		317,164	330,246	322,990	324,420
Criminal Pleas		13,066	21,214	25,073	9,207
Children's Trust		1,567	6,529	8,096	0
Sheriff's Equipment		3,611	2,157	1,928	3,840
Prosecuting Attorney Special		3,870	1,410	2,561	2,719
Drug Enforcement		14,686	766	3,650	11,802
Sheriff Special		13,792	29,600	42,984	408
911 Special Equipment		38,445	0	38,445	0
EDA Grant - Phase 1		947	245,482	246,429	0
EDA Grant - Phase 2		0	315,941	315,941	0
CDBG Project #96-ED-09		0	284,746	284,746	0
CDBG Project #96-ED-13		0	462,203	462,203	0
CDBG Project #97-PF-11		0	161,648	161,648	0
Sheriff Emergency Response Team		0	4,060	1,482	2,578
Senate Bill 40 Board		10,509	119,680	108,823	21,366
Circuit Clerk Interest		24,712	5,540	3,218	27,034
Associate Circuit Division Interest		1,993	4,154	322	5,825
Law Library		3,253	2,884	3,746	2,391
Total	$	1,060,037	6,269,085	6,311,521	1,017,601

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOWELL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	300,877	2,229,214	2,258,593	271,498
Special Road and Bridge		148,174	1,300,361	1,275,967	172,568
Assessment		1,231	266,157	266,553	835
School Resource Officer		19,594	37,884	33,613	23,865
Law Enforcement Training		4,926	9,213	5,342	8,797
Prosecuting Attorney Bad Check		10,223	41,444	18,026	33,641
Recorder's Special		94,814	20,290	18,109	96,995
Prosecuting Attorney Training		7,014	3,590	6,381	4,223
911 Emergency Telephone		303,842	328,091	314,769	317,164
Criminal Pleas		7,838	22,061	16,833	13,066
Children's Trust		2,150	7,219	7,802	1,567
Sheriff's Equipment		7,898	2,301	6,588	3,611
Prosecuting Attorney Special		3,370	1,978	1,478	3,870
Drug Enforcement		6,824	9,362	1,500	14,686
EDA Grant - Phase 1		0	173,115	172,168	947
EDA Grant - Phase 2		0	56,006	56,006	0
CDBG Project #96-ED-09		0	212,931	212,931	0
CDBG Project #96-ED-13		0	37,697	37,697	0
CDBG Project #97-PF-11		0	2,820	2,820	0
Senate Bill 40 Board		9,053	100,456	99,000	10,509
Sheriff Special		0	13,792	0	13,792
911 Special Equipment		0	70,776	32,331	38,445
Circuit Clerk Interest		27,585	5,447	8,320	24,712
Associate Circuit Division Interest		2,185	2,598	2,790	1,993
Law Library		3,130	3,522	3,399	3,253
Total	$	960,728	4,958,325	4,859,016	1,060,037

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 28,000	29,072	1,072	26,200	28,020	1,820
Sales taxes	1,332,000	1,352,718	20,718	1,240,000	1,306,231	66,231
Intergovernmental	528,211	606,926	78,715	438,151	446,286	8,135
Charges for services	404,082	425,822	21,740	410,889	396,536	-14,353
Interest	25,000	30,076	5,076	30,000	23,510	-6,490
Other	17,145	50,221	33,076	28,308	24,987	-3,321
Transfers in	3,600	3,940	340	4,500	3,644	-856
Total Receipts	2,338,038	2,498,775	#VALUE!	2,178,048	2,229,214	#VALUE!
DISBURSEMENTS						
County Commission	75,420	75,175	245	72,420	73,221	-801
County Clerk	78,025	77,411	614	76,325	76,647	-322
Elections	83,200	83,253	-53	48,500	48,001	499
Buildings and grounds	81,750	61,494	20,256	78,250	72,051	6,199
Employee fringe benefits	270,000	284,292	-14,292	240,000	261,780	-21,780
County Treasurer	36,386	35,568	818	35,616	35,033	583
County Collector	107,679	102,993	4,686	103,628	103,420	208
Ex Officio Recorder of Deeds	72,050	61,799	10,251	58,450	52,743	5,707
Circuit Clerk	34,700	24,269	10,431	21,100	24,002	-2,902
Associate Circuit Court	15,982	16,017	-35	16,815	20,092	-3,277
Court administration	8,150	7,361	789	17,464	14,248	3,216
Public Administrator	20,015	20,486	-471	9,365	18,425	-9,060
Sheriff	426,767	436,552	-9,785	450,300	448,719	1,581
Jail	132,380	129,697	2,683	132,350	111,541	20,809
Prosecuting Attorney	124,733	124,561	172	121,427	123,309	-1,882
Juvenile Officer	173,441	168,550	4,891	161,761	149,310	12,451
County Coroner	16,700	19,585	-2,885	16,700	14,926	1,774
Grants	178,506	205,794	-27,288	130,667	123,017	7,650
Public health and welfare services	27,500	29,624	-2,124	32,800	14,494	18,306
Debt service	132,835	134,087	-1,252	132,835	130,963	1,872
Other	301,578	335,297	-33,719	283,406	279,036	4,370
Transfers out	77,500	77,500	0	63,615	63,615	0
Emergency Fund	70,000	0	70,000	66,000	0	66,000
Total Disbursements	2,545,297	2,511,365	33,932	2,369,794	2,258,593	111,201
RECEIPTS OVER (UNDER) DISBURSEMENTS	-207,259	-12,590	#VALUE!	-191,746	-29,379	#VALUE!
CASH, JANUARY 1	271,498	271,498	0	300,877	300,877	0
CASH, DECEMBER 31	$ 64,239	258,908	#VALUE!	109,131	271,498	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 19,800	20,577	777	18,400	19,833	1,433
Sales taxes	265,000	265,000	0	360,000	265,000	-95,000
Intergovernmental	1,011,205	1,071,044	59,839	975,360	999,033	23,673
Charges for services	800	665	-135	800	520	-280
Interest	11,000	11,576	576	7,500	11,165	3,665
Other	0	6,589	6,589	0	4,810	4,810
Transfers in	0	18	18	0	0	0
Total Receipts	1,307,805	1,375,469	67,664	1,362,060	1,300,361	-61,699
DISBURSEMENTS						
Salaries	440,840	415,500	25,340	428,000	405,668	22,332
Employee fringe benefits	145,125	115,156	29,969	123,200	133,812	-10,612
Supplies	146,000	114,598	31,402	125,800	125,511	289
Insurance	25,000	21,977	3,023	18,000	22,171	-4,171
Road and bridge materials	419,700	378,582	41,118	406,200	358,826	47,374
Equipment repairs	90,000	60,112	29,888	90,000	69,549	20,451
Rentals	19,000	19,580	-580	1,200	17,994	-16,794
Equipment purchases	160,000	179,630	-19,630	200,000	118,274	81,726
Construction, repair, and maintenance	6,100	2,910	3,190	84,000	2,994	81,006
Other	26,750	25,892	858	28,000	21,168	6,832
Total Disbursements	1,478,515	1,333,937	144,578	1,504,400	1,275,967	228,433
RECEIPTS OVER (UNDER) DISBURSEMENTS	-170,710	41,532	212,242	-142,340	24,394	166,734
CASH, JANUARY 1	172,568	172,568	0	148,174	148,174	0
CASH, DECEMBER 31	$ 1,858	214,100	212,242	5,834	172,568	166,734

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 217,062	196,908	-20,154	190,679	197,262	6,583
Charges for services	8,000	8,018	18	7,400	7,447	47
Interest	2,000	2,104	104	2,600	1,950	-650
Other	0	0	0	0	383	383
Transfers in	73,000	73,000	0	59,115	59,115	0
Total Receipts	300,062	280,030	-20,032	259,794	266,157	6,363
DISBURSEMENTS						
Assessor	300,000	269,007	30,993	261,025	266,553	-5,528
Total Disbursements	300,000	269,007	30,993	261,025	266,553	-5,528
RECEIPTS OVER (UNDER) DISBURSEMENTS	62	11,023	10,961	-1,231	-396	835
CASH, JANUARY 1	835	835	0	1,231	1,231	0
CASH, DECEMBER 31	$ 897	11,858	10,961	0	835	835

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SCHOOL RESOURCE OFFICER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 37,884	40,316	2,432	36,163	37,884	1,721
Total Receipts	37,884	40,316	2,432	36,163	37,884	1,721
DISBURSEMENTS						
Salaries	30,706	31,818	-1,112	28,959	29,148	-189
Office expenditures	600	469	131	667	664	3
Equipment	466	0	466	625	326	299
Mileage and training	6,112	3,704	2,408	5,080	3,475	1,605
Other	0	0	0	832	0	832
Total Disbursements	37,884	35,991	1,893	36,163	33,613	2,550
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	4,325	4,325	0	4,271	4,271
CASH, JANUARY 1	23,865	23,865	0	19,594	19,594	0
CASH, DECEMBER 31	$ 23,865	28,190	4,325	19,594	23,865	4,271

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 7,650	8,423	773	3,100	7,823	4,723
Interest	300	420	120	400	224	-176
Other	1,150	2,701	1,551	100	1,166	1,066
Total Receipts	9,100	11,544	2,444	3,600	9,213	5,613
DISBURSEMENTS						
Sheriff	17,896	11,549	6,347	8,500	5,342	3,158
Total Disbursements	17,896	11,549	6,347	8,500	5,342	3,158
RECEIPTS OVER (UNDER) DISBURSEMENTS	-8,796	-5	8,791	-4,900	3,871	8,771
CASH, JANUARY 1	8,797	8,797	0	4,926	4,926	0
CASH, DECEMBER 31	$ 1	8,792	8,791	26	8,797	8,771

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 40,500	39,630	-870	30,970	40,455	9,485
Interest	1,000	1,470	470	842	979	137
Transfers In	0	0	0	0	10	10
Total Receipts	41,500	41,100	-400	31,812	41,444	9,632
DISBURSEMENTS						
Prosecuting Attorney	72,548	55,265	17,283	36,828	18,026	18,802
Total Disbursements	72,548	55,265	17,283	36,828	18,026	18,802
RECEIPTS OVER (UNDER) DISBURSEMENTS	-31,048	-14,165	16,883	-5,016	23,418	28,434
CASH, JANUARY 1	33,641	33,641	0	10,223	10,223	0
CASH, DECEMBER 31	$ 2,593	19,476	16,883	5,207	33,641	28,434

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S SPECIAL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 20,000	17,606	-2,394	17,000	15,518	-1,482
Interest	5,000	3,550	-1,450	5,000	4,772	-228
Total Receipts	25,000	21,156	-3,844	22,000	20,290	-1,710
DISBURSEMENTS						
Ex Officio Recorder of Deeds	65,000	56,910	8,090	56,500	18,109	38,391
Total Disbursements	65,000	56,910	8,090	56,500	18,109	38,391
RECEIPTS OVER (UNDER) DISBURSEMENTS	-40,000	-35,754	4,246	-34,500	2,181	36,681
CASH, JANUARY 1	96,995	96,995	0	94,814	94,814	0
CASH, DECEMBER 31	$ 56,995	61,241	4,246	60,314	96,995	36,681

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,265	2,111	-1,154	3,892	3,326	-566
Interest	250	195	-55	479	264	-215
Other	0	129	129	0	0	0
Total Receipts	3,515	2,435	-1,080	4,371	3,590	-781
DISBURSEMENTS						
Prosecuting Attorney	7,700	3,212	4,488	10,611	6,381	4,230
Total Disbursements	7,700	3,212	4,488	10,611	6,381	4,230
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,185	-777	3,408	-6,240	-2,791	3,449
CASH, JANUARY 1	4,223	4,223	0	7,014	7,014	0
CASH, DECEMBER 31	$ 38	3,446	3,408	774	4,223	3,449

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 EMERGENCY TELEPHONE

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 300,000	312,280	12,280	272,500	310,303	37,803
Interest	17,000	17,714	714	15,000	17,743	2,743
Other	0	252	252	0	15	15
Transfers in	0	0	0	0	30	30
Total Receipts	317,000	330,246	13,246	287,500	328,091	40,591
DISBURSEMENTS						
Salaries	214,700	209,963	4,737	194,000	193,346	654
Office expenditures	73,300	68,828	4,472	73,264	69,520	3,744
Equipment	35,500	13,045	22,455	25,500	2,669	22,831
Mileage and training	4,200	1,186	3,014	3,200	3,972	-772
Contractual services	0	15,000	-15,000	0	0	0
Other	7,930	11,368	-3,438	1,630	5,386	-3,756
Transfers out	3,600	3,600	0	3,600	39,876	-36,276
Total Disbursements	339,230	322,990	16,240	301,194	314,769	-13,575
RECEIPTS OVER (UNDER) DISBURSEMENTS	-22,230	7,256	29,486	-13,694	13,322	27,016
CASH, JANUARY 1	317,164	317,164	0	303,842	303,842	0
CASH, DECEMBER 31	$ 294,934	324,420	29,486	290,148	317,164	27,016

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIMINAL PLEAS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 600	963	363	379	507	128
Other	23,500	20,251	-3,249	8,997	21,554	12,557
Total Receipts	24,100	21,214	-2,886	9,376	22,061	12,685
DISBURSEMENTS						
Equipment	19,000	22,961	-3,961	15,000	14,557	443
Salaries	10,000	0	10,000	0	0	0
Other	7,000	2,112	4,888	2,000	2,276	-276
Total Disbursements	36,000	25,073	10,927	17,000	16,833	167
RECEIPTS OVER (UNDER) DISBURSEMENTS	-11,900	-3,859	8,041	-7,624	5,228	12,852
CASH, JANUARY 1	13,066	13,066	0	7,838	7,838	0
CASH, DECEMBER 31	$ 1,166	9,207	8,041	214	13,066	12,852

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 8,300	6,529	-1,771	9,500	7,219	-2,281
Total Receipts	8,300	6,529	-1,771	9,500	7,219	-2,281
DISBURSEMENTS						
Payments to shelters	9,867	8,096	1,771	11,650	7,802	3,848
Total Disbursements	9,867	8,096	1,771	11,650	7,802	3,848
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,567	-1,567	0	-2,150	-583	1,567
CASH, JANUARY 1	1,567	1,567	0	2,150	2,150	0
CASH, DECEMBER 31	$ 0	0	0	0	1,567	1,567

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S EQUIPMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 1,850	1,953	103	1,600	1,982	382
Interest	270	204	-66	300	319	19
Total Receipts	2,120	2,157	37	1,900	2,301	401
DISBURSEMENTS						
Sheriff	5,461	1,928	3,533	9,798	6,588	3,210
Total Disbursements	5,461	1,928	3,533	9,798	6,588	3,210
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,341	229	3,570	-7,898	-4,287	3,611
CASH, JANUARY 1	3,611	3,611	0	7,898	7,898	0
CASH, DECEMBER 31	$ 270	3,840	3,570	0	3,611	3,611

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY SPECIAL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,700	1,217	-483	2,037	1,681	-356
Interest	200	193	-7	183	192	9
Other	0	0	0	0	105	105
Total Receipts	1,900	1,410	-490	2,220	1,978	-242
DISBURSEMENTS						
Prosecuting Attorney	5,500	2,561	2,939	5,500	1,478	4,022
Total Disbursements	5,500	2,561	2,939	5,500	1,478	4,022
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,600	-1,151	2,449	-3,280	500	3,780
CASH, JANUARY 1	3,870	3,870	0	3,370	3,370	0
CASH, DECEMBER 31	$ 270	2,719	2,449	90	3,870	3,780

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	8,700	8,770	70
Interest	592	766	174	300	592	292
Total Receipts	592	766	174	9,000	9,362	362
DISBURSEMENTS						
Equipment	4,000	650	3,350	4,000	0	4,000
Other	11,278	3,000	8,278	11,800	1,500	10,300
Total Disbursements	15,278	3,650	11,628	15,800	1,500	14,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	-14,686	-2,884	11,802	-6,800	7,862	14,662
CASH, JANUARY 1	14,686	14,686	0	6,824	6,824	0
CASH, DECEMBER 31	$ 0	11,802	11,802	24	14,686	14,662

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

HOWELL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF SPECIAL FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 50,000	29,600	-20,400
Total Receipts	50,000	29,600	-20,400
DISBURSEMENTS			
Sheriff	51,844	42,984	8,860
Total Disbursements	51,844	42,984	8,860
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,844	-13,384	-11,540
CASH, JANUARY 1	13,792	13,792	0
CASH, DECEMBER 31	$ 11,948	408	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

HOWELL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 SPECIAL EQUIPMENT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 0	0	0
Total Receipts	0	0	0
DISBURSEMENTS			
Equipment	38,445	38,445	0
Total Disbursements	38,445	38,445	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-38,445	-38,445	0
CASH, JANUARY 1	38,445	38,445	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EDA GRANT - PHASE 1 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 282,885	245,482	-37,403	456,000	173,115	-282,885
Total Receipts	282,885	245,482	-37,403	456,000	173,115	-282,885
DISBURSEMENTS						
Grant expenditures	283,832	246,429	37,403	456,000	172,168	283,832
Total Disbursements	283,832	246,429	37,403	456,000	172,168	283,832
RECEIPTS OVER (UNDER) DISBURSEMENTS	-947	-947	0	0	947	947
CASH, JANUARY 1	947	947	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	947	947

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EDA GRANT - PHASE 2 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 437,994	315,941	-122,053	494,000	56,006	-437,994
Total Receipts	437,994	315,941	-122,053	494,000	56,006	-437,994
DISBURSEMENTS						
Grant expenditures	437,994	315,941	122,053	494,000	56,006	437,994
Total Disbursements	437,994	315,941	122,053	494,000	56,006	437,994
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CDBG PROJECT #96-ED-09 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 287,069	284,746	-2,323	500,000	212,931	-287,069
Total Receipts	287,069	284,746	-2,323	500,000	212,931	-287,069
DISBURSEMENTS						
Grant expenditures	287,069	284,746	2,323	500,000	212,931	287,069
Total Disbursements	287,069	284,746	2,323	500,000	212,931	287,069
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CDBG PROJECT #96-ED-13 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 462,203	462,203	0	499,900	37,697	-462,203
Total Receipts	462,203	462,203	0	499,900	37,697	-462,203
DISBURSEMENTS						
Grant expenditures	462,203	462,203	0	499,900	37,697	462,203
Total Disbursements	462,203	462,203	0	499,900	37,697	462,203
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CDBG PROJECT #97-PF-11 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 213,880	161,648	-52,232	216,700	2,820	-213,880
Total Receipts	213,880	161,648	-52,232	216,700	2,820	-213,880
DISBURSEMENTS						
Grant expenditures	213,880	161,648	52,232	216,700	2,820	213,880
Total Disbursements	213,880	161,648	52,232	216,700	2,820	213,880
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

HOWELL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF EMERGENCY RESPONSE TEAM FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Donations	$ 5,000	4,060	-940
Total Receipts	5,000	4,060	-940
DISBURSEMENTS			
Sheriff	1,800	1,482	318
Total Disbursements	1,800	1,482	318
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,200	2,578	-622
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 3,200	2,578	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

HOWELL COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 110,000	115,888	5,888	89,800	99,570	9,770
Interest	0	2,179	2,179	300	886	586
Other	0	1,613	1,613	900	0	-900
Total Receipts	110,000	119,680	9,680	91,000	100,456	9,456
DISBURSEMENTS						
Office expenditures	300	143	157	300	119	181
Contractual services	120,000	108,680	11,320	98,700	98,881	-181
Total Disbursements	120,300	108,823	11,477	99,000	99,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-10,300	10,857	21,157	-8,000	1,456	9,456
CASH, JANUARY 1	10,509	10,509	0	9,053	9,053	0
CASH, DECEMBER 31	$ 209	21,366	21,157	1,053	10,509	9,456

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Howell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
911 Special Equipment Fund	1997
Sheriff Special Fund	1997

Warrants issued were in excess of budgeted amounts for the Assessment Fund and 911 Emergency Telephone Fund in 1997. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Senate Bill 40 Board Fund, Circuit Clerk Interest Fund, Associate Circuit Division Interest Fund, and Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $295,276 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $156,335. As of December 31, 1998, $69,487 remains to be paid.

Supplementary Schedule

Schedule

HOWELL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct Program - Community Facilities Loans and			
10.8	Grants	2.90446E+11	$ 34,500	0
	Passed through state Office of Administration -			
10.7	Schools and Roads - Grants to States	N/A	65,880	83,451
	U.S. DEPARTMENT OF COMMERCE			
	Direct Program - Grants for Public Works and			
11.3	Economic Development	05-01-02896	246,429	172,168
		05-01-02925	315,941	56,006
	Program Total		562,370	228,174
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	1,946	1,946
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	96-ED-09	284,746	212,931
		96-ED-13	462,203	37,697
		97-PF-11	161,648	2,820
	Program Total		908,597	253,448
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	ERO1640282	24,320	16,976
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	20,958	8,101
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	3,650	1,500
	Passed through state Department of Public Safety -			
16.554	Missouri State Highway Patrol - National Criminal History Improvement Program	N/A	2,707	0
16.579	Byrne Formula Grant Program	98-NCD2-036	64,046	0
	Passed through Missouri Sheriffs' Association - Domestic			
16.unknown	Cannabis Eradication/Suppression Program	N/A	1,090	2,707

	FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety -				
83.5	Emergency Management - State and Local Assistance	N/A		3,343	6,848
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state Department of Social Services:				
93.6	Child Support Enforcement	N/A		48,237	44,373
::					
93.7	Social Services Block Grant	ERO172078		118	4,680
		ERO172079		36,147	33,179
		ERO172080		32,923	32,641
	Program Total			69,188	70,500
	Total Expenditures of Federal Awards		$	1,810,832	718,024

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

HOWELL COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Howell County, Missouri, except for the programs accounted for in the Howell County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended June 30, 1998 and 1997.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Because Howell County expended no noncash awards for the years ended December 31, 1998 and 1997, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to

subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 1998	1997
14.231	Emergency Shelter Grants Program	$ 24,320	16,976
16.579	Byrne Formula Grant Program	64,046	0

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Howell County, Missouri

Compliance

We have audited the compliance of Howell County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Howell County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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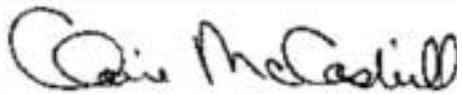
Internal Control Over Compliance

The management of Howell County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Howell County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 20, 1999 (fieldwork completion date)

Schedule

HOWELL COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	__X__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__X__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	__X__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__X__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	__X__ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
11.300	Grants for Public Works and Infrastructure Development
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___X__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOWELL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HOWELL COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

AUDIT REPORT

ST. CLAIR COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-60
August 24, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like St. Clair, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of St. Clair County was a financial and compliance audit of various county operating funds.

There were no new findings or additional comments made during this audit.

ST. CLAIR COUNTY, MISSOURI

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A-2	Year Ended December 31, 1997	9
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B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual, Years Ended December 31, 1998 and 1997	10
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ST. CLAIR COUNTY, MISSOURI

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ST. CLAIR COUNTY, MISSOURI

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Q	Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual, Year Ended December 31, 1998	25
	Law Library Fund	
R	Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual, Year Ended December 31, 1998	26
	Health Center Fund	
S	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual, Years Ended December 31, 1998 and 1997	27
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ST. CLAIR COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of St. Clair County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of St. Clair County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of St. Clair County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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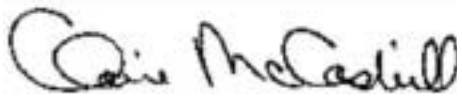
St. Clair County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 13, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

April 13, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of St. Clair County, Missouri

We have audited the special-purpose financial statements of various funds of St. Clair County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of St. Clair County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of St. Clair County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in

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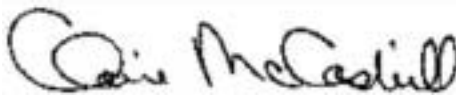
amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of St. Clair County, Missouri and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 13, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	402,850	1,689,879	1,747,599	345,130
Special Road and Bridge		196,516	823,598	757,853	262,261
Assessment		9,108	99,320	101,113	7,315
Law Enforcement Training		4,371	5,526	4,065	5,832
Prosecuting Attorney Training		93	2,056	2,020	129
Lake Patrol		8,884	25,596	26,409	8,071
Recorder Preservation		40,076	8,891	1,818	47,149
Prosecuting Attorney Administrative Cost		4,907	6,528	3,303	8,132
Domestic Violence		510	1,175	1,130	555
Federal Prisoner Medical		216	17,628	17,512	332
Sheriff Drug		1,001	0	0	1,001
Local Emergency Planning Commission		3,930	2,058	371	5,617
Sheriff's Civil Fees		4,804	8,304	4,903	8,205
Law Library		1,421	3,691	2,880	2,232
Health Center		37,620	1,412,775	1,436,906	13,489
Circuit Clerk Interest		4,887	2,402	0	7,289
Total	$	721,194	4,109,427	4,107,882	722,739

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	373,098	1,474,768	1,445,016	402,850
Special Road and Bridge		139,126	875,719	818,329	196,516
Assessment		22,999	89,410	103,301	9,108
Law Enforcement Training		1,513	4,158	1,300	4,371
Prosecuting Attorney Training		199	1,780	1,886	93
Lake Patrol		11,747	26,943	29,806	8,884
Hearting Bridge		3,428	0	3,428	0
Recorder Preservation		34,727	5,968	619	40,076
Prosecuting Attorney Administrative Cost		2,795	3,616	1,504	4,907
Domestic Violence		55	1,025	570	510
County Clerk Grant		225	1,628	1,853	0
Federal Prisoner Medical		224	15,552	15,560	216
County Collector Grant		1,436	0	1,436	0
Sheriff Drug		270	1,000	269	1,001
Local Emergency Planning Commission		4,241	2,907	3,218	3,930
Sheriff's Civil Fees		0	4,804	0	4,804
Law Library		1,030	3,176	2,785	1,421
Health Center		43,514	1,480,305	1,486,199	37,620
Circuit Clerk Interest		3,198	1,709	20	4,887
Total	$	643,825	3,994,468	3,917,099	721,194

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 228,937	250,700	21,763	224,865	241,734	16,869
Sales taxes	205,000	204,524	-476	205,000	207,132	2,132
Intergovernmental	55,702	61,215	5,513	47,176	45,022	-2,154
Charges for services	1,043,294	1,107,358	64,064	889,220	892,352	3,132
Interest	15,000	25,688	10,688	20,000	27,220	7,220
Other	32,444	36,180	3,736	43,900	57,472	13,572
Transfers in	27,236	4,214	-23,022	22,250	3,836	-18,414
Total Receipts	1,607,613	1,689,879	#VALUE!	1,452,411	1,474,768	#VALUE!
DISBURSEMENTS						
County Commission	59,517	59,005	512	58,970	58,376	594
County Clerk	79,836	78,097	1,739	82,020	78,450	3,570
Elections	38,106	34,393	3,713	10,000	9,427	573
Buildings and grounds	330,610	309,737	20,873	193,035	156,902	36,133
County Treasurer	24,226	22,038	2,188	24,285	21,835	2,450
County Collector	76,517	69,074	7,443	77,817	62,537	15,280
Ex Officio Recorder of Deeds	19,335	17,400	1,935	19,368	17,689	1,679
Circuit Clerk	34,213	19,593	14,620	17,150	14,243	2,907
Court Administration	16,489	11,290	5,199	15,095	11,105	3,990
Public Administrator	20,887	17,566	3,321	27,666	26,814	852
Sheriff	210,694	221,537	-10,843	210,962	203,777	7,185
Jail	686,340	685,208	1,132	643,437	598,845	44,592
Prosecuting Attorney	78,162	78,182	-20	72,000	70,384	1,616
Juvenile Officer	62,071	54,704	7,367	59,439	51,040	8,399
County Coroner	8,271	7,654	617	8,871	8,144	727
Public Defender	1,035	1,035	0	960	960	0
Other	76,854	45,286	31,568	66,980	42,688	24,292
Health and Welfare	800	800	0	800	800	0
Transfers out	34,630	15,000	19,630	30,550	11,000	19,550
Emergency Fund	48,230	0	48,230	40,400	0	40,400
Total Disbursements	1,906,823	1,747,599	159,224	1,659,805	1,445,016	214,789
RECEIPTS OVER (UNDER) DISBURSEMENTS	-299,210	-57,720	#VALUE!	-207,394	29,752	#VALUE!
CASH, JANUARY 1	402,850	402,850	0	373,098	373,098	0
CASH, DECEMBER 31	$ 103,640	345,130	#VALUE!	165,704	402,850	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 194,906	213,570	18,664	191,187	194,871	3,684
Intergovernmental	559,000	585,925	26,925	598,820	635,997	37,177
Interest	11,000	16,216	5,216	11,000	12,540	1,540
Other	15,300	7,887	-7,413	60,961	28,883	-32,078
Transfers in	0	0	0	3,428	3,428	0
Total Receipts	780,206	823,598	43,392	865,396	875,719	10,323
DISBURSEMENTS						
Salaries	240,500	225,038	15,462	227,120	215,710	11,410
Employee fringe benefits	73,500	61,797	11,703	70,275	64,892	5,383
Supplies	61,200	38,963	22,237	73,500	68,459	5,041
Insurance	10,600	10,532	68	9,850	9,699	151
Road and bridge materials	133,500	97,472	36,028	127,000	106,491	20,509
Equipment repairs	40,000	48,787	-8,787	40,000	42,262	-2,262
Rentals	1,000	275	725	0	70	-70
Equipment purchases	100,000	92,083	7,917	90,000	102,932	-12,932
Construction, repair, and maintenance	20,750	13,865	6,885	44,000	43,540	460
CART payments to special road distric	155,000	166,725	-11,725	162,000	160,396	1,604
Other	3,360	2,316	1,044	5,250	3,878	1,372
Transfers out	23,400	0	23,400	19,000	0	19,000
Total Disbursements	862,810	757,853	104,957	867,995	818,329	49,666
RECEIPTS OVER (UNDER) DISBURSEMENTS	-82,604	65,745	148,349	-2,599	57,390	59,989
CASH, JANUARY 1	196,516	196,516	0	139,126	139,126	0
CASH, DECEMBER 31	$ 113,912	262,261	148,349	136,527	196,516	59,989

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 83,297	81,705	-1,592	74,212	76,873	2,661
Interest	0	1,175	1,175	665	1,067	402
Other	1,800	1,440	-360	1,300	1,470	170
Transfers in	34,360	15,000	-19,360	30,549	10,000	-20,549
Total Receipts	119,457	99,320	-20,137	106,726	89,410	-17,316
DISBURSEMENTS						
Assessor	109,606	101,113	8,493	109,096	103,301	5,795
Total Disbursements	109,606	101,113	8,493	109,096	103,301	5,795
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,851	-1,793	-11,644	-2,370	-13,891	-11,521
CASH, JANUARY 1	9,108	9,108	0	22,999	22,999	0
CASH, DECEMBER 31	$ 18,959	7,315	-11,644	20,629	9,108	-11,521

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	1,195	1,195	0	588	588
Charges for services	4,200	4,071	-129	4,600	3,449	-1,151
Interest	80	260	180	50	121	71
Total Receipts	4,280	5,526	1,246	4,650	4,158	-492
DISBURSEMENTS						
Sheriff	6,900	4,065	2,835	5,300	1,300	4,000
Total Disbursements	6,900	4,065	2,835	5,300	1,300	4,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,620	1,461	4,081	-650	2,858	3,508
CASH, JANUARY 1	4,371	4,371	0	1,513	1,513	0
CASH, DECEMBER 31	$ 1,751	5,832	4,081	863	4,371	3,508

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,800	2,030	230	2,000	1,755	-245
Interest	25	26	1	50	25	-25
Total Receipts	1,825	2,056	231	2,050	1,780	-270
DISBURSEMENTS						
Prosecuting Attorney	1,000	1,120	-120	1,215	986	229
Transfers out	900	900	0	1,000	900	100
Total Disbursements	1,900	2,020	-120	2,215	1,886	329
RECEIPTS OVER (UNDER) DISBURSEMENTS	-75	36	111	-165	-106	59
CASH, JANUARY 1	93	93	0	199	199	0
CASH, DECEMBER 31	$ 18	129	111	34	93	59

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAKE PATROL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 27,000	25,424	-1,576	28,300	26,786	-1,514
Interest	0	172	172	109	157	48
Total Receipts	27,000	25,596	-1,404	28,409	26,943	-1,466
DISBURSEMENTS						
Salaries	19,407	18,041	1,366	19,085	18,876	209
Office expense	925	468	457	990	894	96
Equipment	7,325	5,472	1,853	7,310	7,214	96
Mileage and training	2,750	1,809	941	3,295	2,529	766
Other	500	619	-119	330	293	37
Total Disbursements	30,907	26,409	4,498	31,010	29,806	1,204
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,907	-813	3,094	-2,601	-2,863	-262
CASH, JANUARY 1	8,884	8,884	0	11,747	11,747	0
CASH, DECEMBER 31	$ 4,977	8,071	3,094	9,146	8,884	-262

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEARTING BRIDGE FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	$ 0	0	0
Total Receipts	0	0	0
DISBURSEMENTS			
Transfers out	3,428	3,428	0
Total Disbursements	3,428	3,428	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,428	-3,428	0
CASH, JANUARY 1	3,428	3,428	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER PRESERVATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,400	6,348	1,948	5,060	4,424	-636
Interest	1,600	2,543	943	840	1,544	704
Total Receipts	6,000	8,891	2,891	5,900	5,968	68
DISBURSEMENTS						
Office expense	4,496	4	4,492	1,008	619	389
Transfers out	1,814	1,814	0	0	0	0
Total Disbursements	6,310	1,818	4,492	1,008	619	389
RECEIPTS OVER (UNDER) DISBURSEMENTS	-310	7,073	7,383	4,892	5,349	457
CASH, JANUARY 1	40,076	40,076	0	34,727	34,727	0
CASH, DECEMBER 31	$ 39,766	47,149	7,383	39,619	40,076	457

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY ADMINISTRATIVE COST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,000	6,160	3,160	2,500	3,430	930
Interest	75	368	293	40	186	146
Total Receipts	3,075	6,528	3,453	2,540	3,616	1,076
DISBURSEMENTS						
Equipment	2,000	1,803	197	6	4	2
Transfers out	1,600	1,500	100	2,000	1,500	500
Total Disbursements	3,600	3,303	297	2,006	1,504	502
RECEIPTS OVER (UNDER) DISBURSEMENTS	-525	3,225	3,750	534	2,112	1,578
CASH, JANUARY 1	4,907	4,907	0	2,795	2,795	0
CASH, DECEMBER 31	$ 4,382	8,132	3,750	3,329	4,907	1,578

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,000	1,175	175	750	1,025	275
Total Receipts	1,000	1,175	175	750	1,025	275
DISBURSEMENTS						
Domestic violence shelter	1,000	1,130	-130	750	570	180
Total Disbursements	1,000	1,130	-130	750	570	180
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	45	45	0	455	455
CASH, JANUARY 1	510	510	0	55	55	0
CASH, DECEMBER 31	$ 510	555	45	55	510	455

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY CLERK GRANT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,624	1,624	0
Interest	0	4	4
Total Receipts	1,624	1,628	4
DISBURSEMENTS			
Salaries	1,335	1,843	-508
Office expense	14	10	4
Equipment	500	0	500
Total Disbursements	1,849	1,853	-4
RECEIPTS OVER (UNDER) DISBURSEMENTS	-225	-225	0
CASH, JANUARY 1	225	225	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FEDERAL PRISONER MEDICAL FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 19,340	17,628	-1,712	15,000	15,552	552
Total Receipts	19,340	17,628	-1,712	15,000	15,552	552
DISBURSEMENTS						
Prisoner medical	19,340	17,512	1,828	15,000	15,560	-560
Total Disbursements	19,340	17,512	1,828	15,000	15,560	-560
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	116	116	0	-8	-8
CASH, JANUARY 1	216	216	0	224	224	0
CASH, DECEMBER 31	$ 216	332	116	224	216	-8

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY COLLECTOR GRANT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	$ 0	0	0
Total Receipts	0	0	0
DISBURSEMENTS			
Transfers out	1,436	1,436	0
Total Disbursements	1,436	1,436	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,436	-1,436	0
CASH, JANUARY 1	1,436	1,436	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF DRUG FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Transfers in	$ 0	0	0	700	1,000	300
Total Receipts	0	0	0	700	1,000	300
DISBURSEMENTS						
Drug buy operations	300	0	300	700	269	431
Total Disbursements	300	0	300	700	269	431
RECEIPTS OVER (UNDER) DISBURSEMENTS	-300	0	300	0	731	731
CASH, JANUARY 1	1,001	1,001	0	270	270	0
CASH, DECEMBER 31	$ 701	1,001	300	270	1,001	731

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 2,750	1,824	-926	1,500	2,747	1,247
Interest	0	234	234	0	160	160
Total Receipts	2,750	2,058	-692	1,500	2,907	1,407
DISBURSEMENTS						
Office expense	2,100	9	2,091	3,410	3,132	278
Mileage and training	650	362	288	150	86	64
Total Disbursements	2,750	371	2,379	3,560	3,218	342
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,687	1,687	-2,060	-311	1,749
CASH, JANUARY 1	3,930	3,930	0	4,241	4,241	0
CASH, DECEMBER 31	$ 3,930	5,617	1,687	2,181	3,930	1,749

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 10,000	8,304	-1,696
Total Receipts	10,000	8,304	-1,696
DISBURSEMENTS			
Office expense	3,000	0	3,000
Equipment	7,000	4,903	2,097
Total Disbursements	10,000	4,903	5,097
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,401	3,401
CASH, JANUARY 1	4,804	4,804	0
CASH, DECEMBER 31	$ 4,804	8,205	3,401

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 2,500	3,691	1,191
Total Receipts	2,500	3,691	1,191
DISBURSEMENTS			
Law Library	2,500	2,880	-380
Total Disbursements	2,500	2,880	-380
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	811	811
CASH, JANUARY 1	1,421	1,421	0
CASH, DECEMBER 31	$ 1,421	2,232	811

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

ST CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 132,565	137,413	4,848	123,500	127,865	4,365
Intergovernmental	318,200	344,826	26,626	333,200	317,361	-15,839
Charges for services	1,069,000	862,278	-206,722	1,033,935	1,005,778	-28,157
Tax anticipation note	0	30,000	30,000	0	0	0
Interest	5,000	5,271	271	3,000	4,469	1,469
Other	20,000	32,987	12,987	18,000	24,832	6,832
Total Receipts	1,544,765	1,412,775	-131,990	1,511,635	1,480,305	-31,330
DISBURSEMENTS						
Salaries	1,147,000	1,118,468	28,532	1,108,235	1,069,178	39,057
Office expenditures	103,100	57,272	45,828	110,533	98,775	11,758
Equipment	33,000	26,364	6,636	24,500	30,509	-6,009
Mileage and training	60,180	46,978	13,202	55,680	56,303	-623
Building purchase	0	0	0	38,000	36,000	2,000
Tax anticipation note	0	0	0	42,500	42,491	9
Program costs	162,350	175,670	-13,320	147,600	141,535	6,065
Other	0	12,154	-12,154	27,951	11,408	16,543
Total Disbursements	1,505,630	1,436,906	68,724	1,554,999	1,486,199	68,800
RECEIPTS OVER (UNDER) DISBURSEMENTS	39,135	-24,131	-63,266	-43,364	-5,894	37,470
CASH, JANUARY 1	36,087	37,620	1,533	43,364	43,514	150
CASH, DECEMBER 31	$ 75,222	13,489	-61,733	0	37,620	37,620

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff's Civil Fees Fund	1997
Law Library Fund	1997
Circuit Clerk Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Training Fund	1998
Domestic Violence Fund	1998
County Clerk Grant Fund	1997
Federal Prisoner Medical Fund	1997
Law Library Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Circuit Clerk Interest Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depository insurance. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Schedule

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings

ST. CLAIR COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of Financial Statements.

*****

VILLAGE OF PASCOLA, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-59
August 24, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to petitioners from the Village of Pascola, Missouri.

On March 23, 1998, the village purchased the former Pascola Elementary School building and surrounding property for $11,000. According to board members, the purchase was primarily made to ensure that the owner would not locate a junkyard on the site. The board has not established a plan to utilize the property. The building, in its current condition, creates a significant risk for the village. It is also doubtful that the village has sufficient unrestricted revenues to repair and maintain the property. We recommend the Board of Trustees establish a plan for the use of the school property, ensuring the property is adequately insured against loss, damage, or liability and that revenues are sufficient to repair and maintain the property, or consider getting rid of the property.

The village has not prepared or adopted annual budgets, published semi-annual financial statements, or submitted annual financial reports to the State Auditor's Office for fiscal years 1996 and 1997, as required by state law.

No notices are posted for meetings held during the year. The board only meets when village business needs to be discussed. During the last three years, the minutes indicate the board has met a total of four times. State law requires notices (including tentative agendas) to be posted in a prominent place which is easily accessible to the public, at least twenty-four hours in advance of the meeting.

The board does not sign the minutes to approve them and the minutes do not include a list of bills approved for payment.

In 1998, the village received approximately $4,700 in motor vehicle-related revenues from the state. The village has not established a separate fund or accounting for these revenues and the related expenditures to ensure these revenues are used only for the purposes allowed by the constitution. Since street-related expenditures are normally less than motor vehicle receipts each year, it is important to establish adequate records to track the unexpended balance.

Village officials have not been elected to office in compliance with state law. The village only holds elections every other year, electing all five members of the Board of Trustees at the same time to the same two-year terms of office. To ensure compliance with state law and to provide for continuity on the board, staggered terms of office should be established and elections of applicable board members should be held each year.

We recommend the village consider appointing separate individuals to the positions of Village Clerk and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

YELLOW SHEET

VILLAGE OF PASCOLA, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Village of Pascola
Pascola, Missouri 63871

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Pascola, Missouri. Our audit of the village included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

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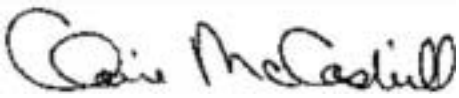
The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the village of Pascola, Missouri.



Claire McCaskill
State Auditor

April 8, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

VILLAGE OF PASCOLA, MISSOURI
HISTORY AND ORGANIZATION

The village of Pascola was incorporated in 1893 and is located in Pemiscot County. The population of the village in 1990 was 120.

The village government consists of a five-member board of trustees. The board is elected for two-year terms. The chairman is appointed by the board from the members. The village board of trustees at December 31, 1998, was:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31,1998
Larry Norman, Chairman	April 2000	$ 0
Cleo Brents, Trustee	April 2000	0
Woodrow Duffy, Trustee	April 2000	0
Tyrone Hendershot, Trustee	April 2000	0
Floyd Foster, Trustee	April 2000	0

Woodrow Duffy has been appointed to serve as Village Clerk and Treasurer. He received no compensation during the year ended December 31, 1998.

A summary of the financial activity of the village of Pascola for the years ended December 31, 1998, 1997, and 1996, is presented on the next page.

	1998	1997	1996
RECEIPTS			
Motor fuel and motor vehicle fees	$ 4,773	4,632	4,356
Franchise taxes	3,165	1,840	2,283
Interest	1,325	1,282	1,160
Total Receipts	9,263	7,754	7,799
DISBURSEMENTS			
Street lights	1,980	1,944	1,764
Street repair	304	111	0
Street signs	0	750	0
School property	11,042	0	0
Lawn services	400	400	400
Election expenses	194	0	209
Total Disbursements	13,920	3,205	2,373
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,657	4,549	5,426
CASH AND CASH EQUIVALENTS, January 1,	33,242	28,693	23,267
CASH AND CASH EQUIVALENTS, December 31,	$ 28,585	33,242	28,693

MANAGEMENT ADVISORY REPORT

VILLAGE OF PASCOLA, MISSOURI
SUMMARY OF FINDINGS

1. School Property (page 8)

   In 1998, the village purchased the former Pascola Elementary School building for $11,000, but has no specific plans for the property's future use.

2. Budgets, Minutes, Meetings, and Financial Reports (pages 8-10)

   The village did not prepare or adopt annual budgets. The board does not sign the minutes to approve them and the minutes do not include a list of bills approved for payment. The village did not submit annual financial reports to the State Auditor's office for years ended December 31, 1997 and 1996 and has not separately accounted for restricted use revenues. Semiannual financial statements are not prepared and published as required by law. The board does not have regular meetings and does not post notices of board meetings.

3. Accounting Controls and Procedures (page 11)

   The Village Clerk also serves as the Village Treasurer. The Village Clerk and Board Chairman have check signing authority, but neither party is bonded.

4. Bidding (page 12)

   The village did not solicit bids for paving services in 1995 in the amount of approximately $41,000.

5. Terms of Office (pages 12-13)

   The village only holds elections every two years, rather than electing applicable board members each year to staggered two-year terms of office.

1. School Property

On March 23, 1998, the village purchased the former Pascola Elementary School building and surrounding property for $11,000. According to board members, the purchase was primarily made to ensure that the owner would not locate a junkyard on the site. The board has not established a plan to utilize the property. The building, in its current condition, creates a significant liability risk for the village. It is also doubtful that the village has sufficient unrestricted revenues to repair and maintain the property.

The school building is in very poor physical condition. Numerous windows are broken or missing and, due to a fire several years ago, the roof and part of the exterior wall on one section of the building are gone. The condition of the building makes repairs expensive and creates a public hazard and potential liability for which the village is not insured. In addition, franchise tax receipts and related interest earnings are the only unrestricted revenue source the village has to spend on the property. Based on average annual franchise tax receipts totaling approximately $2,300, it took the village approximately five years to accumulate enough unrestricted franchise tax monies just to purchase the property. At December 31, 1998 the village had only $28,585 in its bank account and certificates of deposit, some of which is restricted by law for use only on street-related purposes. To ensure village assets are effectively utilized and related liabilities are minimized, the board needs to develop a plan for the use of the property.

WE RECOMMEND the Board of Trustees establish a plan for the use of the school property, ensuring the property is adequately insured against loss, damage, or liability and that revenues are sufficient to repair and maintain the property, or consider disposing of the property.

AUDITEE'S RESPONSE

The mayor has been reviewing the possibility of having someone demolish the building and will discuss it with the board.

2. Budgets, Minutes, Meetings, and Financial Reports

A. The village does not prepare or adopt annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in informing the public about the village's operations and current finances.

B. The board of trustees meets on an as-needed basis to do the business of the village. We noted the following concerns with the minutes maintained for those meetings.

1) The board minutes are prepared and signed by the Village Clerk, but the minutes are not signed by the chairman or any other board trustees. The board minutes should be signed by the chairman or a designated board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

2) The board of trustees does not document its approval of bills. The village writes approximately sixteen checks per year for monthly street light costs, mowing, elections, and miscellaneous expenses. According to the chairman, the board has given verbal approval to the Village Clerk to pay routine bills such as the street light bill and the yearly mowing fee. The board has not documented its standing approval of routine bills. The board also has no documentation of approving other non-routine bills including election costs. The board should include a list of approved bills in the board's minutes. By signing the minutes, the board would also document its approval of the list of bills for payment.

C. The village did not submit annual financial reports for the years ended December 31, 1997, and 1996, to the State Auditor's office pursuant to Section 105.145, RSMo 1994. The village should take care to ensure the annual reports required by state law are submitted to the State Auditor's office.

D. During the year ended December 31, 1998, the village received approximately $4,700 in motor vehicle-related revenues from the state. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The village has not established a separate accounting for these revenues and the related expenditures to ensure compliance with the constitutional obligation.

To ensure compliance with the Missouri Constitution, the village should establish a separate fund or accounting of motor vehicle-related revenues and ensure these revenues are used only for the purposes allowed by the constitution. Since street-related expenditures are normally less than motor vehicle receipts each year, it is important to establish adequate records to track the unexpended balance.

E. Semiannual financial statements are not prepared and published or posted as required by law. Section 80.210, RSMo 1994, provides that the board of trustees in March and September, is to prepare and publish semiannual financial statements in a local newspaper or to post semiannual financial statements in six public places within the village.

F. The board does not have a regular monthly meeting. The board only meets when village business needs to be discussed. During the past three years, the minutes indicate the board has met a total of four times. No notices are posted for meetings held during the year. Section 610.020, RSMo, 1994 requires notices (including tentative agendas) to be posted in a prominent place which is easily accessible to the public, to be given at least twenty-four hours in advance, or if not feasible, reasons are to be documented in the board minutes. In addition, more frequent regular meetings would allow the public a forum for addressing concerns and questions to the board.

WE RECOMMEND the Board of Trustees:

A. Prepare and adopt annual budgets as required by state law.

B. Document its review and approval of the board minutes and list of bills by signing, or designating a board member to sign, the official copy of the minutes which includes the list of bills maintained by the Village Clerk.

C. Ensure that annual financial reports are filed with the State Auditor's office.

D. Establish the necessary funds to account for motor vehicle-related revenues restricted for street related purposes.

E. Ensure semiannual financial statements are published or posted in accordance with state law.

F. Ensure notices of the board meetings are posted in accordance with state law. In addition, the board should consider holding more frequent, regularly scheduled meetings to allow for public participation.

AUDITEE'S RESPONSE

A. We agree and will try to prepare a budget for next year.

B-F. We agree.

3. Accounting Controls and Procedures

A. The village has one person that serves as the Village Clerk and Treasurer. The duties of this official include maintaining receipt and disbursement records, making bank deposits, preparing and signing checks, receiving bank statements, and preparing financial reports.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the Village Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statutes pertaining to villages are similar to those cited in this opinion and, thus, the opinion's conclusion appears applicable to villages.

Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

B. The Village Clerk and Board Chairman are authorized to sign checks. However, the village does not have bond coverage for them. Section 80.250, RSMo 1994, requires the Village Clerk to be bonded in a sum not less than one thousand dollars. Failure to properly bond all persons with access to assets exposes the village to risk of loss. Currently, dual signatures on checks are not required. Requiring two signatures on all checks would also provide additional controls over the use of the funds.

WE RECOMMEND the Board of Trustees:

A. Provide for an adequate segregation of duties. If this is not possible, at a minimum, procedures for adequate independent review of accounting records should be established.

B. Obtain adequate bond coverage for all persons handling village monies and require two signatures on all checks.

AUDITEE'S RESPONSE

We agree.

4. Bidding

The village usually expends monies each year on small, routine items such as street lights, elections, mowing services, street signs, and minor street repair. However, the village paid approximately $41,000 to a paving company for paving services in 1995 without soliciting competitive bids.

While the village appears to accumulate its monies and only occasionally makes large purchases, competitive bidding for major purchases would help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding would also help ensure all parties are given an equal opportunity to participate in the village's business. Due to the village's small amount of annual receipts, it is important that it ensures it is getting competitive prices on its large purchases.

Bids can be handled by telephone quotation, by written quotation, by sealed bids, or by advertised bids. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected.

WE RECOMMEND the Board of Trustees ensure future major purchases are competitively bid.

AUDITEE'S RESPONSE

We agree.

5. Terms of Office

Village officials have not been elected to office in compliance with state law. The village only holds elections every other year, electing all five members of the Board of Trustees at the same time to the same two-year terms of office. Section 80.040, RSMo 1994, requires board members to be elected to staggered two-year terms, with two members being elected in one year and the other three being elected the next.

To ensure compliance with state law and to provide for continuity on the board, staggered terms of office should be established and elections of applicable board members should be held each year.

WE RECOMMEND the Board of Trustees establish staggered terms of office and ensure elections are held each year for applicable board members.

AUDITEE'S RESPONSE

We will take this recommendation under advisement.

This report is intended for the information of the management of the village of Pascola and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

PULASKI COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-58
August 23, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Pulaski, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Pulaski County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< Although many internal control problems in the County Collector's office were noted in the prior audit, little attempt was apparently made to implement prior recommendations. This audit again noted weaknesses such as not properly reconciling daily paid tax receipts to deposits and computer reports. Bank reconciliations when attempted were not properly prepared and reconciliations had not been attempted since June 1998. There was $26,000 of unidentified monies in the bank at February 28, 1999. The County Collector had not filed annual settlements for the years ended February 28, 1998 and 1999.

< The county was withholding a 10% collection fee from tourism tax collections. The audit questioned the statutory authority to withhold this fee and recommended the County Commission review this situation with its Prosecuting Attorney to ensure monies collected for tourism were being properly handled.

Also included in the audit are recommendations to improve budgetary procedures and to better monitor collateral securities pledged by the county banks. The audit also suggested improvements be made by the Circuit Clerk and the Prosecuting Attorney in preparing timely bank reconciliations and reconciling liability listings to cash balances.

PULASKI COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Pulaski County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Pulaski County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Pulaski County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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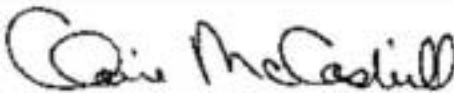
Pulaski County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 1, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Pulaski County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 1, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Pulaski County, Missouri

We have audited the special-purpose financial statements of various funds of Pulaski County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Pulaski County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Pulaski County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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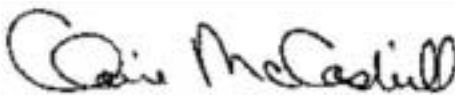
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting which is described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Pulaski County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 1, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	500,542	2,312,578	2,339,375	473,745
Special Road and Bridge		108,523	1,215,442	1,236,865	87,100
Assessment		7,796	163,567	169,899	1,464
Law Enforcement Training		4,333	10,121	11,874	2,580
Prosecuting Attorney Training		12,517	2,381	2,677	12,221
911 Emergency Service		33,057	250,199	249,668	33,588
Courthouse Sales Tax		1,958,773	786,763	572,456	2,173,080
Special Road and Bridge Sales Tax		130,491	270,428	356,112	44,807
Prosecuting Attorney's Delinquent Sales Tax		7,219	6,261	828	12,652
Prosecuting Attorney's User Fee		14,491	33,336	36,165	11,662
Recorder's User Fee		18,320	16,895	9,287	25,928
Crisis Center		9,478	17,949	17,805	9,622
Local Use Tax		96,157	333,433	429,590	0
Family Reunion		1,745	534	791	1,488
Northwood Estates NID		30,060	154,446	167,400	17,106
H Highway NID		142,217	111,940	43,566	210,591
Criminal Investigation Assistance Expense		2,421	8,595	1,349	9,667
Civil Fees		19,607	45,663	64,019	1,251
Law Library		1,320	9,555	3,705	7,170
Senate Bill 40 Board		75,104	127,405	75,881	126,628
Senior Citizens Services Board		38,420	80,570	89,914	29,076
Country Hills NID		0	93,213	46,282	46,931
Dye Estates NID		0	73,544	31,760	41,784
Eagle Point NID		0	83,517	43,153	40,364
Timbers NID		0	166,168	101,681	64,487
Tourism Board		0	14,652	13,175	1,477
Sewer Grant		0	31,020	31,013	7
Circuit Clerk Interest		9,505	15,170	15,250	9,425
Family Court		18,071	0	0	18,071
Total	$	3,240,167	6,435,345	6,161,540	3,513,972

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,365,156	1,669,865	2,534,479	500,542
Special Road and Bridge		26,596	2,229,199	2,147,272	108,523
Assessment		8,678	131,846	132,728	7,796
Law Enforcement Training		2,724	7,197	5,588	4,333
Prosecuting Attorney Training		14,180	2,569	4,232	12,517
911 Emergency Service		3,862	285,048	255,853	33,057
Courthouse Sales Tax		1,592,431	995,698	629,356	1,958,773
Special Road and Bridge Sales Tax		40,283	1,994,128	1,903,920	130,491
Prosecuting Attorney's Delinquent Sales Tax		5,295	3,654	1,730	7,219
Prosecuting Attorney's User Fee		20,117	29,123	34,749	14,491
Recorder's User Fee		12,609	13,574	7,863	18,320
Crisis Center		9,396	16,810	16,728	9,478
Local Use Tax		389,513	17,944	311,300	96,157
Family Reunion		1,538	525	318	1,745
Northwood Estates NID		0	165,379	135,319	30,060
H Highway NID		94,643	93,802	46,228	142,217
Criminal Investigation Assistance Expense		14,979	6,201	18,759	2,421
Civil Fees		0	19,607	0	19,607
Law Library		167	5,800	4,647	1,320
Senate Bill 40 Board		41,445	121,840	88,181	75,104
Senior Citizens Services Board		32,736	79,849	74,165	38,420
Circuit Clerk Interest		17,779	16,149	24,423	9,505
Family Court		16,920	1,151	0	18,071
Total	$	3,711,047	7,906,958	8,377,838	3,240,167

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 31,000	28,542	-2,458	32,000	30,519	-1,481
Sales taxes	1,000,000	883,735	-116,265	975,000	910,987	-64,013
Intergovernmental	218,000	240,665	22,665	127,500	99,737	-27,763
Charges for services	433,800	430,402	-3,398	421,200	372,197	-49,003
Interest	95,000	37,972	-57,028	95,000	68,367	-26,633
Other	175,000	105,418	-69,582	162,300	114,458	-47,842
Repayment on loan to Special Road and Bridge Fund	145,469	145,468	-1	0	50,000	50,000
Transfers in	579,178	440,376	-138,802	33,726	23,600	-10,126
Total Receipts	2,677,447	2,312,578	#VALUE!	1,846,726	1,669,865	#VALUE!
DISBURSEMENTS						
County Commission	105,413	96,519	8,894	71,543	87,641	-16,098
County Clerk	85,200	80,147	5,053	69,675	69,628	47
Elections	75,000	50,347	24,653	33,000	25,287	7,713
Buildings and grounds	114,499	115,704	-1,205	112,099	108,594	3,505
Employee fringe benefits	124,698	92,408	32,290	112,250	71,101	41,149
County Treasurer	31,200	30,650	550	20,815	25,329	-4,514
County Collector	76,854	74,254	2,600	68,204	68,715	-511
Ex Officio Recorder of Deeds	31,332	29,964	1,368	29,232	28,229	1,003
Circuit Clerk	22,200	22,886	-686	21,900	23,393	-1,493
Associate Circuit Court	1,000	321	679	1,000	627	373
Associate Circuit (Probate)	5,000	2,874	2,126	5,000	6,499	-1,499
Court administration	53,568	41,056	12,512	51,099	48,633	2,466
Public Administrator	71,822	37,960	33,862	50,622	31,696	18,926
Sheriff	474,400	483,518	-9,118	517,500	513,102	4,398
Jail	43,500	15,192	28,308	15,500	10,900	4,600
Prosecuting Attorney	153,746	154,910	-1,164	134,745	137,985	-3,240
Juvenile Officer	200,000	171,098	28,902	112,226	120,530	-8,304
County Coroner	15,148	15,364	-216	11,148	11,421	-273
Other	427,966	409,937	18,029	375,766	314,213	61,553
Loan to Special Road and Bridge Fund	0	270,000	-270,000	637,000	640,041	-3,041
Transfers out	155,181	144,266	10,915	162,915	190,915	-28,000
Emergency Fund	79,000	0	79,000	55,572	0	55,572
Total Disbursements	2,346,727	2,339,375	7,352	2,668,811	2,534,479	134,332
RECEIPTS OVER (UNDER) DISBURSEMENTS	330,720	-26,797	#VALUE!	-822,085	-864,614	#VALUE!
CASH, JANUARY 1	500,542	500,542	0	1,365,156	1,365,156	0
CASH, DECEMBER 31	$ 831,262	473,745	#VALUE!	543,071	500,542	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 507,283	260,875	-246,408	440,000	263,253	-176,747
Intergovernmental	653,787	583,943	-69,844	540,500	544,573	4,073
Interest	7,000	7,836	836	7,000	6,120	-880
Loan from General Revenue Fund	0	270,000	270,000	637,000	640,041	3,041
Loan from Local Use Tax Fund	0	0	0	0	61,300	61,300
Equipment sales	0	0	0	583,000	583,000	0
Other	32,000	8,788	-23,212	15,000	46,912	31,912
Transfers in	84,000	84,000	0	84,000	84,000	0
Total Receipts	1,284,070	1,215,442	-68,628	2,306,500	2,229,199	-77,301
DISBURSEMENTS						
Salaries	361,224	352,417	8,807	320,039	318,325	1,714
Employee fringe benefits	126,834	52,177	74,657	54,783	33,882	20,901
Supplies	95,000	105,598	-10,598	107,930	99,074	8,856
Insurance	22,000	12,674	9,326	20,000	21,306	-1,306
Road and bridge materials	275,700	368,492	-92,792	267,200	231,122	36,078
Equipment repairs	68,200	87,753	-19,553	125,000	115,435	9,565
Rentals	5,000	6,015	-1,015	7,000	12,218	-5,218
Equipment purchases	61,200	10,187	51,013	1,244,321	1,231,041	13,280
Construction, repair, and maintenance	20,000	0	20,000	0	22,738	-22,738
Repayment on loan from General Revenue Fund	145,469	145,468	1	0	50,000	-50,000
Repayment on loan from Local Use Tax Fund	61,300	61,300	0	0	0	0
Other	3,700	34,784	-31,084	1,000	12,131	-11,131
Total Disbursements	1,245,627	1,236,865	8,762	2,147,273	2,147,272	1
RECEIPTS OVER (UNDER) DISBURSEMENTS	38,443	-21,423	-59,866	159,227	81,927	-77,300
CASH, JANUARY 1	108,523	108,523	0	26,596	26,596	0
CASH, DECEMBER 31	$ 146,966	87,100	-59,866	185,823	108,523	-77,300

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 153,000	143,377	-9,623	110,000	121,610	11,610
Interest	1,000	1,824	824	1,000	1,236	236
Other	0	100	100	500	0	-500
Transfers in	15,266	18,266	3,000	23,000	9,000	-14,000
Total Receipts	169,266	163,567	-5,699	134,500	131,846	-2,654
DISBURSEMENTS						
Assessor	177,062	169,899	7,163	134,511	132,728	1,783
Total Disbursements	177,062	169,899	7,163	134,511	132,728	1,783
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,796	-6,332	1,464	-11	-882	-871
CASH, JANUARY 1	7,796	7,796	0	8,678	8,678	0
CASH, DECEMBER 31	$ 0	1,464	1,464	8,667	7,796	-871

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	3,094	3,094	0	2,067	2,067
Charges for services	5,100	6,032	932	4,000	4,996	996
Interest	150	995	845	50	134	84
Total Receipts	5,250	10,121	4,871	4,050	7,197	3,147
DISBURSEMENTS						
Sheriff	9,000	11,874	-2,874	6,774	5,588	1,186
Total Disbursements	9,000	11,874	-2,874	6,774	5,588	1,186
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,750	-1,753	1,997	-2,724	1,609	4,333
CASH, JANUARY 1	4,333	4,333	0	2,724	2,724	0
CASH, DECEMBER 31	$ 583	2,580	1,997	0	4,333	4,333

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,000	1,685	-315	2,400	1,906	-494
Interest	600	696	96	700	595	-105
Other	100	0	-100	2,100	68	-2,032
Total Receipts	2,700	2,381	-319	5,200	2,569	-2,631
DISBURSEMENTS						
Prosecuting Attorney	9,700	2,677	7,023	12,000	4,232	7,768
Total Disbursements	9,700	2,677	7,023	12,000	4,232	7,768
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,000	-296	6,704	-6,800	-1,663	5,137
CASH, JANUARY 1	12,517	12,517	0	14,180	14,180	0
CASH, DECEMBER 31	$ 5,517	12,221	6,704	7,380	12,517	5,137

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
911 EMERGENCY SERVICE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 1,000	5,035	4,035	900	2,957	2,057
Telephone surcharges	200,000	203,164	3,164	172,840	184,176	11,336
Transfers in	55,915	42,000	-13,915	97,915	97,915	0
Total Receipts	256,915	250,199	-6,716	271,655	285,048	13,393
DISBURSEMENTS						
Salaries	212,400	194,885	17,515	213,397	194,954	18,443
Office expenditures	40,500	38,825	1,675	37,000	44,027	-7,027
Equipment	15,900	11,056	4,844	10,600	9,209	1,391
Mileage and training	3,000	4,239	-1,239	4,000	3,009	991
Other	146,271	663	145,608	10,520	4,654	5,866
Total Disbursements	418,071	249,668	168,403	275,517	255,853	19,664
RECEIPTS OVER (UNDER) DISBURSEMENTS	-161,156	531	161,687	-3,862	29,195	33,057
CASH, JANUARY 1	33,057	33,057	0	3,862	3,862	0
CASH, DECEMBER 31	$ -128,099	33,588	161,687	0	33,057	33,057

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COURTHOUSE SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 75,000	163,968	88,968	975,000	910,882	-64,118
Interest	70,000	108,289	38,289	80,000	84,816	4,816
Bond reserve liquidation	0	514,506	514,506	0	0	0
Total Receipts	145,000	786,763	641,763	1,055,000	995,698	-59,302
DISBURSEMENTS						
Lease payments	636,000	560,862	75,138	604,869	572,416	32,453
Other	145,015	11,594	133,421	125,015	56,940	68,075
Total Disbursements	781,015	572,456	208,559	729,884	629,356	100,528
RECEIPTS OVER (UNDER) DISBURSEMENTS	-636,015	214,307	850,322	325,116	366,342	41,226
CASH, JANUARY 1	1,958,773	1,958,773	0	1,592,431	1,592,431	0
CASH, DECEMBER 31	$ 1,322,758	2,173,080	850,322	1,917,547	1,958,773	41,226

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 100	164	64	250,100	111	-249,989
Intergovernmental	245,224	257,349	12,125	1,274,000	1,096,563	-177,437
Interest	100	12,915	12,815	1,000	10,454	9,454
Proceeds from tax anticpation note	0	0	0	637,000	637,000	0
Loan from Local Use Tax Fund	0	0	0	0	250,000	250,000
Total Receipts	245,424	270,428	25,004	2,162,100	1,994,128	-167,972
DISBURSEMENTS						
Equipment	0	0	0	40,000	0	40,000
Construction, repair, and maintenance	92,095	75,628	16,467	1,274,000	1,266,920	7,080
Other	21,787	30,484	-8,697	1,100	0	1,100
Repayment of tax anticipation note	0	0	0	637,000	637,000	0
Repayment on loan from Local Use Tax Fund	250,000	250,000	0	0	0	0
Total Disbursements	363,882	356,112	7,770	1,952,100	1,903,920	48,180
RECEIPTS OVER (UNDER) DISBURSEMENTS	-118,458	-85,684	32,774	210,000	90,208	-119,792
CASH, JANUARY 1	130,491	130,491	0	40,283	40,283	0
CASH, DECEMBER 31	$ 12,033	44,807	32,774	250,283	130,491	-119,792

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY'S DELINQUENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 3,500	5,661	2,161	1,700	3,401	1,701
Interest	300	600	300	190	253	63
Total Receipts	3,800	6,261	2,461	1,890	3,654	1,764
DISBURSEMENTS						
Prosecuting Attorney	5,000	828	4,172	2,000	1,730	270
Total Disbursements	5,000	828	4,172	2,000	1,730	270
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,200	5,433	6,633	-110	1,924	2,034
CASH, JANUARY 1	7,219	7,219	0	5,295	5,295	0
CASH, DECEMBER 31	$ 6,019	12,652	6,633	5,185	7,219	2,034

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY'S USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 37,630	32,545	-5,085	32,000	28,519	-3,481
Interest	600	791	191	700	604	-96
Total Receipts	38,230	33,336	-4,894	32,700	29,123	-3,577
DISBURSEMENTS						
Prosecuting Attorney	36,800	36,165	635	36,800	34,749	2,051
Total Disbursements	36,800	36,165	635	36,800	34,749	2,051
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,430	-2,829	-4,259	-4,100	-5,626	-1,526
CASH, JANUARY 1	14,491	14,491	0	20,117	20,117	0
CASH, DECEMBER 31	$ 15,921	11,662	-4,259	16,017	14,491	-1,526

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 13,000	15,372	2,372	15,000	13,000	-2,000
Interest	600	1,523	923	500	574	74
Total Receipts	13,600	16,895	3,295	15,500	13,574	-1,926
DISBURSEMENTS						
Ex Officio Recorder of Deeds	20,000	9,287	10,713	25,000	7,863	17,137
Total Disbursements	20,000	9,287	10,713	25,000	7,863	17,137
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,400	7,608	14,008	-9,500	5,711	15,211
CASH, JANUARY 1	18,320	18,320	0	12,609	12,609	0
CASH, DECEMBER 31	$ 11,920	25,928	14,008	3,109	18,320	15,211

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRISIS CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 10,000	9,653	-347	15,000	8,548	-6,452
Charges for services	8,000	7,468	-532	7,500	7,901	401
Interest	350	828	478	450	361	-89
Total Receipts	18,350	17,949	-401	22,950	16,810	-6,140
DISBURSEMENTS						
Payments to Crisis Center	18,705	17,805	900	23,180	16,728	6,452
Total Disbursements	18,705	17,805	900	23,180	16,728	6,452
RECEIPTS OVER (UNDER) DISBURSEMENTS	-355	144	499	-230	82	312
CASH, JANUARY 1	9,478	9,478	0	9,396	9,396	0
CASH, DECEMBER 31	$ 9,123	9,622	499	9,166	9,478	312

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 0	22,133	22,133	23,000	17,944	-5,056
Repayment on loan to						
Special Road and Bridge Sales Tax Fund	254,000	250,000	-4,000	0	0	0
Special Road and Bridge Fund	65,000	61,300	-3,700	0	0	0
Total Receipts	319,000	333,433	14,433	23,000	17,944	-5,056
DISBURSEMENTS						
Loan to Special Road and Bridge Fund	0	0	0	0	61,300	-61,300
Loan to Special Road and Bridge Sales						
Tax Fund	0	0	0	0	250,000	-250,000
Transfers out	415,157	429,590	-14,433	0	0	0
Total Disbursements	415,157	429,590	-14,433	0	311,300	-311,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	-96,157	-96,157	0	23,000	-293,356	-316,356
CASH, JANUARY 1	96,157	96,157	0	389,997	389,513	-484
CASH, DECEMBER 31	$ 0	0	0	412,997	96,157	-316,840

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FAMILY REUNION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 500	420	-80	300	460	160
Interest	75	114	39	1,000	65	-935
Total Receipts	575	534	-41	1,300	525	-775
DISBURSEMENTS						
Other	1,000	791	209	1,600	318	1,282
Total Disbursements	1,000	791	209	1,600	318	1,282
RECEIPTS OVER (UNDER) DISBURSEMENTS	-425	-257	168	-300	207	507
CASH, JANUARY 1	1,745	1,745	0	1,538	1,538	0
CASH, DECEMBER 31	$ 1,320	1,488	168	1,238	1,745	507

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NORTHWOOD ESTATES NID FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 0	439	439	0	0	0
Charges for services	12,000	16,386	4,386	0	8,476	8,476
Interest	1,400	2,621	1,221	0	1,251	1,251
Loan proceeds	0	0	0	337,500	155,652	-181,848
Bond proceeds	166,600	135,000	-31,600	0	0	0
Total Receipts	180,000	154,446	-25,554	337,500	165,379	-172,121
DISBURSEMENTS						
Construction	0	0	0	327,374	135,319	192,055
Loan repayment	200,000	167,400	32,600	0	0	0
Transfers out	0	0	0	10,126	0	10,126
Total Disbursements	200,000	167,400	32,600	337,500	135,319	202,181
RECEIPTS OVER (UNDER) DISBURSEMENTS	-20,000	-12,954	7,046	0	30,060	30,060
CASH, JANUARY 1	30,060	30,060	0	0	0	0
CASH, DECEMBER 31	$ 10,060	17,106	7,046	0	30,060	30,060

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
H HIGHWAY NID FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 99,000	48,451	-50,549	0	48,184	48,184
Charges for services	0	51,520	51,520	97,778	41,055	-56,723
Interest	5,000	11,969	6,969	6,000	4,563	-1,437
Total Receipts	104,000	111,940	7,940	103,778	93,802	-9,976
DISBURSEMENTS						
Bond repayment	29,241	29,241	0	31,987	31,987	0
Other	13,904	14,325	-421	16,013	14,241	1,772
Total Disbursements	43,145	43,566	-421	48,000	46,228	1,772
RECEIPTS OVER (UNDER) DISBURSEMENTS	60,855	68,374	7,519	55,778	47,574	-8,204
CASH, JANUARY 1	142,217	142,217	0	94,643	94,643	0
CASH, DECEMBER 31	$ 203,072	210,591	7,519	150,421	142,217	-8,204

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIMINAL INVESTIGATION ASSISTANCE EXPENSE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 6,000	8,206	2,206	20,000	5,660	-14,340
Interest	500	389	-111	300	541	241
Transfers in	10,000	0	-10,000	0	0	0
Total Receipts	16,500	8,595	-7,905	20,300	6,201	-14,099
DISBURSEMENTS						
Sheriff	17,000	1,349	15,651	30,000	18,759	11,241
Total Disbursements	17,000	1,349	15,651	30,000	18,759	11,241
RECEIPTS OVER (UNDER) DISBURSEMENTS	-500	7,246	7,746	-9,700	-12,558	-2,858
CASH, JANUARY 1	2,421	2,421	0	14,979	14,979	0
CASH, DECEMBER 31	$ 1,921	9,667	7,746	5,279	2,421	-2,858

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 50,000	45,062	-4,938
Interest	100	601	501
Total Receipts	50,100	45,663	-4,437
DISBURSEMENTS			
Sheriff	50,100	64,019	-13,919
Total Disbursements	50,100	64,019	-13,919
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-18,356	-18,356
CASH, JANUARY 1	0	19,607	19,607
CASH, DECEMBER 31	$ 0	1,251	1,251

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 9,000	9,555	555
Total Receipts	9,000	9,555	555
DISBURSEMENTS			
Other	9,000	3,705	5,295
Total Disbursements	9,000	3,705	5,295
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	5,850	5,850
CASH, JANUARY 1	3,400	1,320	-2,080
CASH, DECEMBER 31	$ 3,400	7,170	3,770

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 100,000	112,129	12,129	174,395	112,037	-62,358
Intergovernmental	1,800	2,737	937	1,800	2,090	290
Interest	3,000	6,284	3,284	1,200	3,279	2,079
Other	4,680	6,255	1,575	2,300	4,434	2,134
Total Receipts	109,480	127,405	17,925	179,695	121,840	-57,855
DISBURSEMENTS						
Salaries	1,500	2,100	-600	9,374	1,050	8,324
Office expenditures	25,728	3,836	21,892	5,860	389	5,471
Building fund	50,000	9,661	40,339	0	0	0
Reserve fund	5,905	0	5,905	30,476	0	30,476
Transportation payments	1,000	870	130	1,000	2,870	-1,870
Contractual services	83,960	59,414	24,546	65,536	68,020	-2,484
Equipment	0	0	0	18,000	15,852	2,148
Total Disbursements	168,093	75,881	92,212	130,246	88,181	42,065
RECEIPTS OVER (UNDER) DISBURSEMENTS	-58,613	51,524	110,137	49,449	33,659	-15,790
CASH, JANUARY 1	75,104	75,104	0	39,669	41,445	1,776
CASH, DECEMBER 31	$ 16,491	126,628	110,137	89,118	75,104	-14,014

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZENS SERVICES BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 150,000	76,224	-73,776	128,050	76,359	-51,691
Intergovernmental	1,643	1,890	247	1,200	1,493	293
Interest	2,000	2,456	456	2,000	1,997	-3
Total Receipts	153,643	80,570	-73,073	131,250	79,849	-51,401
DISBURSEMENTS						
Office expenditures	603	414	189	628	515	113
Contingency fund	5,000	0	5,000	5,000	0	5,000
Contractual services	94,460	89,500	4,960	78,358	73,650	4,708
Total Disbursements	100,063	89,914	10,149	83,986	74,165	9,821
RECEIPTS OVER (UNDER) DISBURSEMENTS	53,580	-9,344	-62,924	47,264	5,684	-41,580
CASH, JANUARY 1	38,420	38,420	0	32,736	32,736	0
CASH, DECEMBER 31	$ 92,000	29,076	-62,924	80,000	38,420	-41,580

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senate Bill 40 Board, or the Senior Citizens Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Country Hills NID Fund	1998
Dye Estates NID Fund	1998
Eagle Point NID Fund	1998
Timbers NID Fund	1998
Tourism Board Fund	1998
Sewer Grant Fund	1998
Circuit Clerk Interest Fund	1998 and 1997
Family Court Fund	1998 and 1997
Civil Fees Fund	1997
Law Library Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1998
Local Use Tax Fund	1998 and 1997
H Highway NID Fund	1998
Civil Fees Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the 911 Emergency Service Fund for the year ended December 31, 1998.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Law Library Fund, Senate Bill 40 Board Fund, Senior Citizens Services Board Fund, Circuit Clerk Interest Fund, and Family Court Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a

written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Senior Citizens Board's, and Senate Bill 40 Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the county existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $361,353 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $184,523. As of December 31, 1998, $82,011 remains to be paid.

Supplementary Schedule

Schedule

PULASKI COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-7185	$ 0	111,021
		ERO045-8185	120,937	35,706
		ERO045-9185	35,538	0
	Program Total		156,475	146,727
	Office of Administration -			
10.7	Schools and Roads - Grants to States	N/A	63,928	81,068
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state Department of Public			
12.unknown	Safety - surplus property	N/A	0	13,980
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	94-PF-646	51,027	286,262
		98-PF-26	31,000	0
	Program Total		82,027	286,262
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	ERO1640156	9,653	8,547
	U.S. DEPARTMENT OF JUSTICE			
	Passed through Missouri Sheriff's Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	0	2,430
16.unknown	Sheriff's Association - Cash Crop Program	N/A	0	900
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-TBCG-085(5)	0	990,448

	GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -				
39.0	Donation of Federal Surplus Personal Property	N/A		6,421	1,673
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:				
	Department of Health -				
93.3	Immunization Grants	PGO064-7185IAP		0	1,320
		PGO064-8185IAP		2,100	1,360
	Program Total	PGO064-9185IAP		700	0
				2,800	2,680
::					
	Department of Social Services -				
93.6	Child Support Enforcement	N/A		32,622	26,917
	Department of Health -				
93.6	Child Care and Development Block Grant	ERO146-7185		0	1,441
		ERO146-8185		770	297
		ERO146-9185		335	0
		PG0067-8185		1,855	65
		PG0067-9185		460	0
	Program Total			3,420	1,803
	Cooperative Agreements for State-Based				
93.9	Comprehensive Breast and Cervical Cancer				
	Early Detection Programs	ERO161-90013		8,418	10,055
94.0	Preventive Health and Health Services Block Grant	AOC8000089		25,782	26,354
94.0	Maternal and Child Health Services				
	Block Grant to the States	ERO146-7185MCH		0	35,041
		ERO146-8185MCH		43,914	1,924
		ERO146-9185MCH		2,002	0
		ERO175-7185FP		0	6,351
		ERO175-8185FP		7,695	0
		ERO175-9185FP		2,363	0
	Program Total			55,974	43,316
	Total Expenditures of Federal Awards		$	447,520	1,643,160

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

PULASKI COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pulaski County, Missouri, except for the program accounted for in the Pulaski County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended December 31, 1998 and 1997.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and the amounts for the surplus property program passed through the state Department of Public Safety (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $9,653 and $8,547 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 1998 and 1997, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Pulaski County, Missouri

Compliance

We have audited the compliance of Pulaski County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Pulaski County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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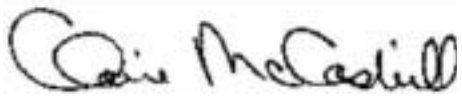
with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

Internal Control Over Compliance

The management of Pulaski County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Pulaski County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 1, 1999 (fieldwork completion date)

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major program(s):	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-1. Emergency Shelter Grants Program

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: State Department of Social Services
Federal CFDA Number: 14.231
Program Title: Emergency Shelter Grants Program
Pass-Through Entity Identifying Number: ERO1640156
Award Year: 1998 and 1997
Questioned Costs: $18,200

Pulaski County received $9,653 and $8,547 in Emergency Shelter Grant monies during 1998 and 1997, respectively. The county then granted the Emergency Shelter Grant monies to the Pulaski County Crisis Center (Crisis Center). The county does not have a contract with the Crisis Center regarding the use of these funds. As a result, we questioned the entire $18,200 received during the audit period.

Section 432.070, RSMo 1994, requires all agreements to be in writing. Furthermore, Section 410(d) of OMB Circular A-133 requires the county to inform the Crisis Center of various information about the award and requirements imposed on them by Federal laws and regulations.

Written agreements and periodic monitoring would help ensure that monies distributed to the Crisis Center are expended in accordance with grant requirements and as intended by the County Commission. In addition, written agreements are necessary to clearly outline the expectations and responsibilities of each party, establish time frames for project completion, and specify services to be provided and the related compensation.

WE RECOMMEND the County Commission enter into a written agreement with the Crisis Center regarding the use of Emergency Shelter Grant monies.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We have held discussions with the Crisis Center regarding obtaining a contract and have reached a verbal agreement with them. A written contract will be obtained shortly.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PULASKI COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PULASKI COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

3. Written Agreements

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: State Department of Social Services
Federal CFDA Number: 14.231
Program Title: Emergency Shelter Grants Program
Pass-Through Entity Identifying Number: ERO1640156
Award Year: 1996 and 1995
Questioned Costs: $18,722

The county did not have a written agreement with the Pulaski County Crisis Center to ensure that funds provided to the Pulaski County Crisis Center were used in accordance with the grant requirements.

Recommendation:

The County Commission enter into formal written agreements when providing or receiving goods or services and resolve the questioned costs with the grantor agency.

Status:

See MAR 98-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PULASKI COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Pulaski County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 1, 1999. We also have audited the compliance of Pulaski County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 1, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Health Center Board and the Pulaski County Public Housing Agency are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any,

reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Pulaski County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards.*

1. Budgetary Practices

A. Formal budgets were not prepared and filed with the State Auditor's Office for various county funds for the years ended December 31, 1998, or 1997.

Chapter 50, RSMo 1994, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. In addition, by preparing and obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

B. Warrants were issued in excess of approved budgeted expenditures in the following funds during the two years ended December 31, 1998, as follows:

Fund	Year Ended December 31,	
	1998	1997
Law Enforcement Training Fund	$ 2,874	N/A
Local Use Tax Fund	14,433	311,300
H Highway NID Fund	421	N/A
Civil Fees Fund	13,919	N/A

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246(1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

C. Although Section 50.610, RSMo 1994, requires balanced budgets, the County Commission budgeted for a deficit of $128,099 for the 911 Emergency Service Fund for the year ended December 31, 1998. Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

A. Ensure budgets are prepared for all county funds.

B. Not authorize disbursements in excess of budgeted expenditures.

C. Discontinue deficit budgeting.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. All the funds noted in the report were budgeted for calendar year 1999.

B. We will monitor these funds more closely to ensure budgeted amounts are not exceeded.

C. The budget deficit occurred due to start up costs, which exceeded the budget estimates. These costs were funded by a loan from the General Revenue Fund. It is the County Commission's intent that this loan be repaid with interest to the General Revenue Fund. We are attempting to obtain additional revenue sources for the 911 Emergency Service Fund so this loan can be repaid. The budget document will be prepared in the future, to not show a deficit budget.

2. Collateral Securities

At January 19, 1999, the amount of collateral securities pledged was insufficient by approximately $2.8 million to cover monies in the custody of the County Collector. On January 19, 1999, the County Collector turned over $2.9 million to the County Treasurer which represented property tax collections for December 1998. As a result, the amount of collateral securities pledged by the county's depositary bank at January 21, 1999, was insufficient by approximately $1.7 million to cover monies in the custody of the County Treasurer. It appears these situations occurred because bank balances are not being monitored by the county officials.

Section 110.020, RSMo 1994, provides that the value of the securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Treasurer and County Collector ensure collateral securities pledged by the depositary bank are sufficient to protect monies at all times.

AUDITEE'S RESPONSE

The County Treasurer provided the following response:

I now have a computer spreadsheet to track collateral securities and county cash balances to ensure the collateral pledged is sufficient to cover county cash balances at all times.

The County Collector provided the following response:

I will check into setting up a computer spreadsheet to track collateral securities to ensure they are sufficient to cover cash balances.

3. Tourism Tax Collection Fees

In August 1998, the voters of Pulaski County authorized a tourism tax to promote tourism in the county. According to the ballot issue and Section 67.1000, RSMo Supp. 1998, this tax is to be used solely for funding a convention and visitors bureau to promote tourism. The county contracted with the Pulaski County Visitors Bureau (Bureau) to promote tourism in the county and remits ninety percent of monies collected to the Bureau. The remaining ten percent of monies collected are retained by the county as a collection fee. The county indicated they were informed that the state's Department of Revenue (DOR) would not collect the tax so the county established a collection fee to recoup the county's costs related to the tax collections. Although Section 69.1000 provides for the (DOR) to withhold a collection fee of between 1% and 3%, there does not appear to be any statutory authority for the county to retain a collection fee for these tourism taxes collected. Additionally, there is nothing to support the 10% fee established by the county.

To ensure all monies collected for the tourism tax are being appropriately handled, the county needs to review this situation with its Prosecuting Attorney.

WE RECOMMEND the County Commission review this situation with the Prosecuting Attorney to ensure monies collected for the tourism tax are being handled correctly.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will review this situation with the Prosecuting Attorney and take appropriate action.

4. County Collector's Controls and Procedures

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 1999 and 1998, the County Collector collected property taxes totaling approximately $6.4 and $6.1 million, respectively.

During our review, we noted many serious problems in the control procedures used by the County Collector to account for this money. Although many of these problems were noted in the prior audit, little attempt was apparently made to implement our prior recommendations. As a result, there is limited assurance that all property tax monies have been accounted for properly. We noted the following problems during our review:

A. The County Collector has not established effective controls over monies received for tax payments in his office. Our review of the controls used by the County Collector to process tax payments revealed the following concerns:

1) The County Collector compares the money he deposits to the daily abstract of taxes paid from the computer system. However, the amounts rarely agree and the County Collector recalculates the deposits and the abstract amounts to attempt to reconcile the amounts. If the amounts can not be readily reconciled the differences go unreconciled and an attempt is not made to reconcile these amounts until after the end of the year.

2) Each paid tax receipt is given a sequential number when it is marked paid by the County Collector. The County Collector does not account for the numerical sequence of these numbers for the taxes that are paid each day or reconcile the paid tax receipts to the daily abstracts of taxes paid.

3) The County Collector receives a large volume of mail at the end of December and early January. This mail is bundled together by date received; however there are no procedures in place to ensure this mail is processed sequentially or in a timely manner. On February 8, 1999, the County Collector was holding 200 pieces of unopened mail dating back to January 4, 1999. Mail received for about half of the dates between January 4, 1999, and February 8, 1999, had been processed and deposited into the County Collector's bank account. However, there was no explanation why mail received for 11 dates haphazardly spread throughout this time period was not processed.

4) The County Collector has a change fund, however it is not maintained at a constant amount. Unless the change fund is maintained at a constant amount, the County Collector cannot be assured that all cash received during the day is later deposited into the bank account.

5) The County Collector occasionally accepts partial payments of taxes. On January 26, 1999, the County Collector could identify five partial payments totaling $1,153. Partial payments are attached to the County Collector's copy of the tax bill and filed with all the other unpaid tax bills. No other record is kept for partial payments. As a result, partial payments are not deposited into the bank account until the taxes are paid in full and monies are unsecured throughout the office.

Many of the problems in the County Collector's office are the result of not properly reconciling monies received each day to the amount of paid tax receipts and the daily abstract of taxes paid from the County Collector's computer system. These reconciliations, along with processing all payments timely, maintaining the change fund at a constant amount, and maintaining records of partial payments, would help the County Collector ensure all tax payments have been properly processed, recorded in the computer system, and deposited in the bank account. In March 1999, the County Collector started accounting for the numerical sequence of paid tax statements, reconciling daily collections to the total of the paid tax statements and to the daily abstract of taxes paid, and maintaining the change fund at a constant amount. It is essential that the County Collector continue to perform these reconciliations daily.

B. The County Collector maintains a deposit account which is interest bearing and all deposits are made into this account. When the County Collector needs to disburse property taxes, he transfers money from this account to another account (the disbursement account), which is not interest bearing. Our review of the County Collector's records for these accounts revealed the following concerns:

1) Bank reconciliations are periodically attempted; however, they are not properly prepared on a monthly basis for either bank account. The last reconciliation that was completed as of January 1999 was for June 1998. This reconciliation included only an outstanding check list that was not correct and was not totaled correctly. It did not reconcile the bank's balance with the balance in the County Collector's records. Furthermore, we noted several bank statements had not even been opened by the County Collector.

   Timely bank reconciliations are necessary to ensure bank and book records are in agreement and to ensure errors are detected and corrected in a timely manner.

2) The County Collector receives a significant number of checks each year that are returned by the bank due to insufficient funds. The County Collector does not have any policies or procedures in place to account for these checks, or to ensure the checks are collected. The checks, copies of letters sent by the County Collector, and notices from the bank are placed haphazardly in a box. Our review noted this box contained documentation for approximately $10,900 in insufficient funds checks and included checks which were collected as well as checks that were unpaid. There is no consistent methodology used by the County Collector to record collection efforts or payments. In addition, there are no standard procedures to add the amounts back to the tax books or turn checks over to the Prosecuting Attorney for collection.

In order to properly account for these checks and to maximize collections, the County Collector should establish appropriate procedures and accurate recordkeeping for these checks.

Failure to adequately perform basic accounting procedures and reconciliations, and establish proper controls severely lessens the County Collector's ability to adequately account for monies received and disbursed and hampers the office's ability to function efficiently. Timely action should be taken to correct these deficiencies.

C. At February 28, 1999, the County Collector had an unidentified balance of approximately $26,000 in the bank accounts. The unidentified balance in the County Collector's bank accounts fluctuates each month as a result of errors made by the County Collector in processing tax payments, entering them in the computer system, and reconciling them to deposits. As noted in our prior two audit reports, some tax payments were not entered in the computer system and distributed, and are unidentified in the County Collector's bank account. This unidentified balance decreased approximately $12,000 during the audit period as the County Collector apparently identified several old tax receipts that had been paid and deposited but had not been entered into the computer system or distributed to the taxing authorities. Had the County Collector performed the reconciliations noted in A above, these errors could have been detected and corrected more timely rather than waiting several years to make the correction.

D. The County Collector is required by Section 139.160, RSMo 1994, to file an annual settlement with the County Clerk by the first Monday in March of each year. The County Collector has not filed an annual settlement for either of the two years ended February 28, 1999. The annual settlement for the year ended February 28, 1998, is over 15 months late. In order for the County Clerk to properly verify the various tax books, it is imperative the County Collector file annual settlements on a timely basis with the County Clerk. In addition, timely annual settlements are an essential part of the checks and balances system established by state law.

WE RECOMMEND the County Collector:

A.1. Reconcile daily cash collections to the daily abstract of taxes paid from the computer system.

2. Account for the numerical sequence of numbers assigned to paid tax receipts and reconcile paid tax receipts to daily cash collections.

3. Establish procedures to ensure the processing of collections received in the mail is performed in a timely manner.

4. Maintain the change fund at a constant amount.

5. Not accept partial payments of taxes. If partial payments are accepted, the County Collector should keep adequate records of partial payments.

B.1. Reconcile all bank accounts monthly and agree reconciled bank balances to all liabilities of the office.

2. Maintain adequate records of insufficient funds checks and remit all insufficient funds checks to the Prosecuting Attorney for collection.

C. Attempt to identify liabilities for all amounts in the bank account. Any amounts remaining unidentified should be distributed to the political subdivisions in the county on a pro-rata basis.

D. File annual settlements in a timely manner.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

A.1-4. These recommendations were implemented in March 1999.

A.5. I am no longer going to accept partial payments.

B.1. I am now doing these reconciliations monthly.

B.2. I will establish a standard procedure and form to follow-up on insufficient funds checks and will remit checks which remain unpaid to the Prosecuting Attorney.

C. The current unidentified balance has been reduced to approximately $6,000. I will continue to attempt to identify the remaining unidentified balance.

D. I am currently working on the settlements for the years ended February 28, 1999 and 1998, and will try to file the annual settlements more timely in the future.

5. Circuit Clerk's Controls and Procedures

The Circuit Clerk is responsible for assessing, collecting, and distributing monies in connection with circuit court proceedings. Our review of the Circuit Clerk's records and procedures revealed significant concerns, particularly with procedures pertaining to the civil fees account. The cash balance of the civil fees account was approximately $260,000 at December 31, 1998. Essential reconciliation procedures were not being performed throughout much of the audit period.

A. The Circuit Clerk has not reconciled open items listings to the bank balance for the civil fees account since January 1997. Open items listings were prepared from February 1997 through June 1997, but were not reconciled to the bank balance. No open items listings have been prepared since June 1997.

Only by preparing accurate listings of open items and agreeing the total with the reconciled cash balance can the Circuit Clerk be assured that sufficient assets exist to cover liabilities and all monies in her custody can be properly identified. Such reconciliations also allow for the prompt detection and correction of errors.

B. Formal bank reconciliations for the civil fees account were not prepared on a timely basis. In November 1998, the bank reconciliations for the prior three months had not been prepared. As of March 1999, the bank reconciliations were still three months behind. At this time, we discussed the problem with the Circuit Clerk and she did not appear to be aware that there was a problem. However, she ensured that the reconciliations were completed within a week following our discussion.

Timely preparation of bank reconciliations is necessary to ensure accounting records and bank records are in agreement and allows for timely detection and correction of errors. In addition, the Circuit Clerk should review the bank reconciliations monthly to ensure they are properly prepared.

C. At December 31, 1998, checks totaling $2,003 on the civil fees account had been outstanding for more than one year. Some of these checks date back to 1994. The Circuit Clerk does not routinely follow up on old outstanding checks.

The Circuit Clerk should adopt procedures to routinely follow up on old outstanding checks and reissue the check if the payee can be located. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. Among them are Sections 50.470 through 50.500, RSMo 1994, which provide for certain monies to be turned over to the County Treasurer for credit to the Unclaimed Fees Fund. In addition, Sections 447.500 through 447.595, RSMo 1994, provide for some unclaimed property to be distributed to the state's Unclaimed Property Section.

WE RECOMMEND the Circuit Clerk:

A. Prepare monthly listings of open items and reconcile such listings to the cash balance. Any differences should be investigated and resolved.

B. Ensure formal bank reconciliations are prepared on a monthly basis and review the reconciliations for propriety.

C. Adopt procedures to routinely follow up on old outstanding checks. Any remaining unclaimed amounts should be disbursed in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. We have prepared an open items listing for May 1999 and we are in the process of reconciling it to the cash balance. Future open items listings will be prepared and reconciled to the cash balance.

B&C. These have already been implemented.

6. Prosecuting Attorney's Procedures

A. The Prosecuting Attorney maintains a bank account for the collection of court ordered and bad check restitutions. Approximately $200,000 to $300,000 in restitution is processed through this account each year. The Prosecuting Attorney does not prepare bank reconciliations or maintain a book balance. As of February 1999, no book balance had been determined or bank reconciliation prepared since February 1998. A bank reconciliation was attempted in March 1998, but was not completed. After we assisted the Prosecuting Attorney's staff with several of the bank reconciliations, all bank reconciliations were completed through February 1999.

At December 31, 1998, the balance in the Prosecuting Attorney's bank account contained approximately $30,000 of unidentified monies. Unidentified monies have hampered the ability to prepare open item listings. Since he took office in 1995, the Prosecuting Attorney has identified a substantial portion of the unidentified monies that was turned over to him when he took office. These efforts to identify the money should continue to the extent practical; however, funds which cannot be identified should be turned over to the state's Unclaimed Property Section.

Monthly bank reconciliations and reconciliations of open items to the cash balance are necessary to provide assurance that receipts and disbursements have been accurately handled and recorded, and that cash balances can be properly identified to appropriate liabilities and other reconciling items.

B. The Prosecuting Attorney is the custodian of the Law Library Fund. Our review of the Law Library Fund revealed the following concerns:

1) The bank account for the Law Library Fund is not reconciled with the accounting records. As a result, a deposit in the account made in January 1998 in the amount

of $2,150 was not recorded in the accounting records and was not detected until we informed the Prosecuting Attorney about this recording error in March 1999.

Complete and accurate bank reconciliations are necessary to ensure all monies have been properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.

2) Monies received from the Circuit Court for the Law Library Fund are not deposited timely. We noted several checks totaling several thousand dollars were held for a few months and deposited together. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed $100.

3) During our review, we noted that the Prosecuting Attorney did not maintain original invoices to support any disbursements. The invoices are used to verify the vendors' billing statements and are then discarded. To ensure all purchases made from the Law Library Fund are reasonable and valid, original invoices should be retained for all disbursements.

WE RECOMMEND: the Prosecuting Attorney:

A. Prepare monthly bank reconciliations and open items listings, and reconcile them to the cash balance. Any discrepancies should be investigated and resolved.

B.1. Prepare monthly bank reconciliations for the Law Library Fund and reconcile them to the cash balance. Any discrepancies should be investigated and resolved immediately.

2. Deposit receipts for the Law Library Fund daily or when accumulated receipts exceed $100.

3. Retain original invoices to support all disbursements made from the Law Library Fund.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. I will ensure monthly bank reconciliations and open items listings are prepared and reconciled to the cash balance in a timely manner.

B. I will implement these recommendations.

This report is intended for the information of the management of Pulaski County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

PULASKI COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pulaski County, Missouri, on findings in the Management Advisory Report (MAR) of our prior report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices

   A. Formal budgets were not prepared for various county funds.

   B. Warrants were issued in excess of approved budgeted amounts for various funds.

   C. The County Commission budgeted a deficit balance for the 911 Emergency Service Fund for the year ended December 31, 1996.

   Recommendations:

   The County Commission:

   A. Ensure budgets are prepared for all county funds.

   B. Keep expenditures within the total amount budgeted. Extenuating circumstances should be fully documented and the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

   C. Discontinue deficit budgeting.

   Status:

   A-C. Not implemented. See MAR No. 1.

2. Elected Officials Salaries

   Salaries of elected officials were increased without a vote of the salary commission or a written opinion from the Prosecuting Attorney to support the salary increase.

   Recommendation:

   The County Commission review this situation with the Prosecuting Attorney. In addition, all further actions of the salary commission should be clearly understandable to all officials as well as county taxpayers.

Status:

Implemented. The Prosecuting Attorney provided the County Commission with a written opinion to support all salary increases.

3. Written Agreements

The county provided funding to the Fort Leonard Wood Regional Commerce and Growth Administration (FLWRCGA) but did not have a contract with these agencies to ensure county monies were used appropriately.

Recommendation:

The County Commission enter into formal written agreements when providing or receiving goods or services.

Status:

Implemented. The county did enter into a contract with the FLWRCGA.

4. Road and Bridge Procedures

A. The road and bridge department did not maintain complete maintenance and repair records for all road maintenance equipment.

B. The road and bridge department did not have a road maintenance schedule.

Recommendation:

The County Commission:

A. Maintain equipment maintenance logs and review these records periodically for reasonableness.

B. Develop a county road maintenance schedule.

Status:

A. Implemented.

B. Partially implemented. Although the county did not develop a road maintenance schedule, they did develop other records that allow them to track the maintenance of county roads. Although not repeated in the current report, our recommendation remains as stated above.

5. County Collector's Controls and Procedures

A.1. The County Collector did not reconcile monies collected, paid tax receipts, and daily reports of collections to deposits in the bank account.

2. The County Collector did not reconcile cash, checks, and money orders received to bank deposits and did not maintain a constant amount in the change fund.

B.1. The County Collector did not maintain a book balance for the deposit account.

2. Bank reconciliations were not completed properly or timely.

3. Checks totaling approximately $10,500 returned by the bank due to insufficient funds were held by the County Collector and not turned over to the Prosecuting Attorney for collection.

C. The County Collector had unidentified monies in his bank account.

D. Monthly and annual settlements were not filed timely.

Recommendation:

The County Collector:

A.1. Reconcile monies collected to daily reports of collection deposits in the bank account and to the paid tax receipts. Any differences should be fully investigated and documented on the reconciliation.

2. Deposit all receipts intact, indicate the mode of payment on the paid tax statements, and reconcile the composition of cash, checks, and money orders received to bank deposits.

B1&2. Maintain book balances for all bank accounts and reconcile the accounts to the bank balance monthly.

3. Turn over insufficient funds checks to the Prosecuting Attorney for collection.

C. Monthly reconcile cash balances to all liabilities and distribute any unidentified monies on a pro-rata basis to all the political subdivisions.

D. File monthly and annual settlements in a timely manner in accordance with state law.

Status:

A-C. Not implemented. See MAR No. 4.

D. Partially implemented. Monthly settlements were filed more timely during the audit period, but annual settlements are still not filed. See MAR No. 4.

6. Prosecuting Attorney's Restitution Account

The restitution account had a balance of $48,493 which included a large amount of unidentified monies.

Recommendation:

The Prosecuting Attorney make additional efforts to identify the source of these unidentified monies. After making these efforts, the Prosecuting Attorney should remit any remaining unidentified monies to the state's Unclaimed Property Section.

Status:

Partially implemented. The Prosecuting Attorney did identify the source of some of these monies; however, there are still unidentified monies in the bank account. See MAR No. 6.

7. Sheriff's Procedures

A. Phone commission checks were not remitted to the county treasury in a timely manner.

B. Receipt slips were not issued immediately upon receiving monies.

C. Monies received for calendar sales were not remitted to the county treasury.

Recommendation:

A. Remit all phone commissions monthly to the County Treasurer.

B. Write receipt slips immediately upon receiving money.

C. Remit calendar commission monies to the county treasury and request the County Commission to establish a petty cash fund in the Sheriff's Department.

Status:

A-C. Implemented.

8. Circuit Clerk's Unpaid Court Costs

The Circuit Clerk did not update a computer listing of amounts owed to the court for payments and mailed delinquent notices to individuals who had already paid their court costs in full.

Recommendation:

The Circuit Clerk update the computerized listing of delinquent court costs as payments are made and review the case fee sheets and reconcile these sheets with the computer listing before mailing any delinquent notices.

Status:

Implemented.

9. Senate Bill 40 Board

The Senate Bill 40 Board did not have a contract with the sheltered workshop.

Recommendation:

The Senate Bill 40 Board enter into a formal written contract with the sheltered workshop.

Status:

Implemented.

10. Pulaski County Health Department Procedures

A.1. Receipt slips were not prenumbered and receipt slips were not issued for some monies received. In addition, the mail log was not reconciled with the receipt slips.

2. The method of payment was not always noted on receipt slips.

B. Some transactions for the Irene Mahoney Fund were not recorded on the ledger and the ledger was not periodically reconciled to the cash on hand.

Recommendation:

The Health Department's Board of Trustees:

A.1. Issue prenumbered receipt slips for all monies received, account for the numerical sequence and reconcile the mail log to receipt slips.

2. Indicate the method of payment on all receipt slips and reconcile the composition of receipt slips to the composition of deposit slips.

B. Record all transactions in the ledger for the Irene Mahoney Fund and perform periodic reconciliations between the ledger balance and the amount of cash on hand.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PULASKI COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Pulaski was named after Polish Count Casimir Pulaski, a Revolutionary War General. Pulaski County is a county-organized, third-class county and is part of the 25th Judicial Circuit. The county seat is Waynesville.

Pulaski County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Pulaski County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 289,417	9	293,772	9
Sales taxes	883,735	28	910,987	29
Federal and state aid	824,608	27	644,310	20
Fees, interest, and other	1,114,792	36	1,359,954	42
Total	$ 3,112,552	100	3,209,023	100

The following chart shows how Pulaski County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 1,229,293	39	1,100,500	28
Public safety	840,082	27	793,938	20
Highways and roads	1,091,397	34	2,097,272	52
Total	$ 3,160,772	100	3,991,710	100

The county maintains approximately 22 county bridges and 408 miles of county roads.

::

The county's population was 53,967 in 1970 and 41,307 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 113.8	105.9	48.5	22.2	13.1
Personal property	36.3	33.1	12.5	7.4	3.9
Railroad and utilities	12.0	11.5	6.2	5.4	3.5
Total	$ 162.1	150.5	67.2	35.0	20.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Pulaski County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
Special Road and Bridge Fund	$ .16	.16
Health Center Fund	.07	.07
Senate Bill 40 Board Fund	.07	.07
Senior Citizens Services Board Fund	.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 49,095	47,646
General Revenue Fund	4,327	5,168
Special Road and Bridge Fund	269,840	261,225
Assessment Fund	61,294	69,214
Health Center Fund	115,196	111,339
Senate Bill 40 Board Fund	115,196	111,339
School districts	4,413,312	4,288,380
Library district	217,547	210,470
Ambulance districts	455,386	443,688
Fire protection districts	249,990	175,493
Senior Citizens Services Board Fund	78,545	76,155
Tax Increment Financing Commission	90,446	84,268
Neighborhood Improvement Districts	65,226	51,393
Cities	55,079	55,433
County Clerk	407	417
County Employees' Retirement	49,363	47,582
Commissions and fees:		
General Revenue Fund	106,154	92,156

Total	$	6,396,403	6,131,366

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	88.1 %	87.8 %
Personal property	82.2	85.4
Railroad and utilities	94.9	100.0

Pulaski County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50 %
Capital improvements		.0050	1997	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Ralph Peterson, Presiding Commissioner	$		28,400	22,883
Bland R. Smith, Associate Commissioner			26,400	22,883
Art Helms, Associate Commissioner			26,400	22,883
Stephanie Leuthen, County Clerk			40,000	35,333
Michael V. Headrick, Prosecuting Attroney			48,500	41,833
J.T. Roberts, Sheriff			45,000	41,333
Joyce M. Thomas, County Treasurer			29,600	19,303
Iva Case, County Treasurer				4,421
Gary Carmack, County Coroner			12,000	8,000
Paula Long Weber, Public Administrator *			23,700	13,973
George Berry, County Collector				
year ended February 28,		40,000	36,942	
Roger Harrison, County Assessor **				
August 31,			40,000	32,900
John H. Mackey, County Surveyor ***				
State-Paid Officials:				
Nancy Doolin, Circuit Clerk and				
Ex Officio Recorder of Deeds ****			42,183	37,199
Beth Carroll, Circuit Clerk and				
Ex Officio Recorder of Deeds				19,659
David Greogory Warren, Associate Circuit Judge			85,158	81,792
Tracie L. Storie, Associate Circuit Judge			85,158	81,792

* Includes fees received from probate cases.

** Includes $900 annual compensation received from the state.

*** Compensation on a fee basis.

**** Includes compensation as deputy court clerk in 1997.

::
A breakdown of employees (excluding the elected officials) by office at December 31, 1998 is as follows:

Office	Number of Employees Paid by County		State
County Commission	2	*	0
Circuit Clerk and Ex Officio Recorder of Deeds	3	**	10
County Clerk	3		0
Prosecuting Attorney	6		0
Sheriff	22	***	0
Public Administrator	1		0
County Collector	3	***	0
County Assessor	5		0
Road and Bridge	19	*	0
911 Center	14	***	0
Total	78		10

* Includes one part-time employee.
** Includes one employee paid 1/2 by the county and 1/2 by the state.
*** Includes two part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Pulaski County's share of the 25th Judicial Circuit's expenses is 38.97 percent.

During 1998 and 1997, Pulaski County formed five neighborhood improvement districts. The county issued temporary notes to pay for the improvements made in each district and subsequently issued general obligation bonds to pay off the temporary notes. The county will use special assessments on the land owners in the respective districts to pay off the general obligation bonds over the next twenty years. The five neighborhood improvements districts and the costs of the improvements were as follows:

Northwood Estates	$ 138,722
Eagle Point	69,207
Timbers	137,240
Dye Estates	56,411
Country Hills	73,220

On August 4, 1998, the voters of Pulaski County authorized a tourism tax of three percent to be assessed against each sleeping room occupied and rented by transient guests of hotels and motels located in the county where the proceeds are expended for the promotion of tourism. The county began collecting the tourism tax in October 1998 and contracted with the Pulaski County Visitors Bureau to promote tourism.

HENRY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-57
August 20, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Henry, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Henry County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As of December 31, 1998, the county had not reduced property tax revenues by $109,732 as the result of excess property tax revenues collected in prior years. By leaving the 1998 General Revenue levy at $.00 the county could have reduced excess property tax collections by approximately $72,000. However the county set the 1998 General Revenue levy at $.04 believing that going without a levy in 10 of the prior 17 years was sufficient.

- Many prior audit recommendations were implemented, however the county still needs to ensure that expenditures from all county funds are necessary for county operations and are a prudent use of county monies.

Also included in the audit are recommendations to improve budgetary procedures and county fixed asset procedures and to better monitor collateral securities pledged by county banks. The audit also suggested improvements in the Juvenile Office's accounting controls.

<u>Copies of the audit are available upon request</u>.

HENRY COUNTY, MISSOURI

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State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Henry County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Henry County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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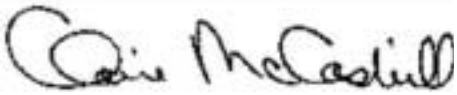
Henry County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Henry County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Henry County, Missouri

We have audited the special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Henry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Henry County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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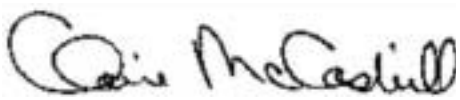
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Henry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	339,289	1,846,821	1,842,179	343,931
Special Road and Bridge		876,122	1,084,115	950,290	1,009,947
Assessment		1,139	200,457	200,836	760
Central Emergency Communications		6,239	220,547	222,737	4,049
Law Enforcement Training		1,613	9,571	11,178	6
Prosecuting Attorney Training		721	1,856	2,156	421
Prosecuting Attorney's Bad Check		28,060	30,335	38,180	20,215
Prosecuting Attorney's Delinquent Tax		6,033	8,345	13,326	1,052
Tri-County Child Support		324	68,373	66,112	2,585
Emergency 9-1-1		136,011	157,154	139,359	153,806
Victims of Domestic Violence		150	18,283	18,243	190
Local Use Tax		11,760	82,760	16,184	78,336
Federal Drug Forfeiture Program		403	0	380	23
Local Emergency Planning Commission		1,849	4,339	4,742	1,446
D.A.R.E		2,519	4,035	3,435	3,119
Corps of Engineers		9,998	41,237	42,695	8,540
Recorder's Records, Storage, and Preservation		9,198	10,933	4,924	15,207
Federal Grant		24	21,895	21,918	1
Sheriff's Special Project		0	54,762	50,557	4,205
Sheriff's Civil		0	24,828	23,352	1,476
Health Center		43,798	417,124	408,265	52,657
Henry County Water Supply District #3		0	50,000	50,000	0
Henry County Water Supply District #4		0	300,000	300,000	0
Juvenile Office DYS Grant		5,992	26,621	24,606	8,007
Circuit Clerk Interest		5,125	3,667	0	8,792
Associate Circuit Division Interest		3,186	2,185	94	5,277
Law Library		4,400	8,755	7,338	5,817
Total	$	1,493,953	4,698,998	4,463,086	1,729,865

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	432,015	1,753,743	1,846,469	339,289
Special Road and Bridge		702,168	914,109	740,155	876,122
Assessment		483	213,483	212,827	1,139
Central Emergency Communications		1,050	213,756	208,567	6,239
Henry County Emergency Management		254	9,792	10,046	0
Law Enforcement Training		442	9,455	8,284	1,613
Prosecuting Attorney Training		538	3,057	2,874	721
Prosecuting Attorney's Bad Check		29,377	25,562	26,879	28,060
Prosecuting Attorney's Delinquent Tax		14,241	455	8,663	6,033
Tri-County Child Support		4,899	59,416	63,991	324
Emergency 9-1-1		108,580	150,656	123,225	136,011
Victims of Domestic Violence		0	13,022	12,872	150
Local Use Tax		1,096	10,664	0	11,760
Federal Drug Forfeiture Program		17	7,960	7,574	403
Local Emergency Planning Commission		3,581	3,956	5,688	1,849
D.A.R.E		4,388	9,464	11,333	2,519
Corps of Engineers		13,842	42,044	45,888	9,998
Recorder's Records, Storage, and Preservation		16,078	10,154	17,034	9,198
Federal Grant		3,421	19,740	23,137	24
Health Center		54,625	392,533	403,360	43,798
Henry County Water Supply District #3		0	450,000	450,000	0
Sheriff's Drug Dog		293	0	293	0
Juvenile Office DYS Grant		13,318	16,108	23,434	5,992
Circuit Clerk Interest		10,209	1,547	6,631	5,125
Associate Circuit Division Interest		1,688	1,641	143	3,186
Law Library		2,293	7,431	5,324	4,400
Total	$	1,418,896	4,339,748	4,264,691	1,493,953

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 3,000	13,644	10,644	4,500	3,428	-1,072
Sales taxes	850,000	858,895	8,895	825,000	866,483	41,483
Intergovernmental	454,384	404,886	-49,498	365,332	321,483	-43,849
Charges for services	358,350	413,931	55,581	321,650	395,827	74,177
Interest	20,000	20,601	601	20,000	22,946	2,946
Other	39,500	59,725	20,225	28,350	73,964	45,614
Transfers in	67,817	75,139	7,322	40,080	69,612	29,532
Total Receipts	1,793,051	1,846,821	#VALUE!	1,604,912	1,753,743	#VALUE!
DISBURSEMENTS						
County Commission	64,300	63,065	1,235	64,595	63,767	828
County Clerk	71,774	71,444	330	76,926	76,518	408
Elections	94,856	84,602	10,254	59,712	55,140	4,572
Buildings and grounds	108,425	93,723	14,702	174,425	135,730	38,695
Employee fringe benefits	145,000	100,003	44,997	104,500	81,422	23,078
County Treasurer	70,454	69,597	857	81,476	80,519	957
Ex Officio County Collector	4,000	3,115	885	4,000	2,106	1,894
Recorder of Deeds	56,303	58,283	-1,980	70,248	69,621	627
Circuit Clerk	18,900	14,913	3,987	19,000	17,642	1,358
Associate Circuit Court	15,310	13,978	1,332	14,710	15,304	-594
Court administration	40,668	31,902	8,766	42,898	38,756	4,142
Public Administrator	1,108	1,147	-39	2,008	2,006	2
Other	175,797	138,593	37,204	172,903	140,719	32,184
Sheriff	278,509	281,195	-2,686	313,243	311,884	1,359
Jail	146,705	155,222	-8,517	147,239	167,395	-20,156
Prosecuting Attorney	109,486	107,353	2,133	100,265	104,726	-4,461
Juvenile Officer	474,610	412,325	62,285	348,799	322,429	26,370
County Coroner	14,120	11,119	3,001	14,638	11,293	3,345
Public Health and Welfare Services	5,350	3,250	2,100	5,350	3,250	2,100
Transfers out	144,375	127,350	17,025	167,600	146,242	21,358
Emergency Fund	54,953	0	54,953	48,000	0	48,000
Total Disbursements	2,095,003	1,842,179	252,824	2,032,535	1,846,469	186,066
RECEIPTS OVER (UNDER) DISBURSEMENTS	-301,952	4,642	#VALUE!	-427,623	-92,726	#VALUE!
CASH, JANUARY 1	339,289	339,289	0	432,015	432,015	0
CASH, DECEMBER 31	$ 37,337	343,931	#VALUE!	4,392	339,289	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 62,000	70,693	8,693	60,000	62,303	2,303
Intergovernmental	1,035,000	929,275	-105,725	983,000	747,163	-235,837
Charges for services	40,000	8,382	-31,618	70,000	26,172	-43,828
Interest	20,000	46,988	26,988	15,000	24,224	9,224
Other	39,700	28,777	-10,923	40,000	54,247	14,247
Total Receipts	1,196,700	1,084,115	-112,585	1,168,000	914,109	-253,891
DISBURSEMENTS						
Salaries	115,000	101,361	13,639	115,000	104,659	10,341
Employee fringe benefits	27,200	14,585	12,615	20,000	16,098	3,902
Supplies	29,200	18,943	10,257	23,900	19,769	4,131
Insurance	4,000	3,658	342	6,600	3,271	3,329
Road and bridge materials	135,000	94,218	40,782	135,000	65,896	69,104
Equipment repairs	12,000	3,532	8,468	12,000	3,572	8,428
Equipment purchases	150,000	130,776	19,224	90,000	64,810	25,190
Construction, repair, and maintenance	866,500	535,619	330,881	923,500	417,911	505,589
Other	55,000	5,781	49,219	10,000	4,089	5,911
Transfers out	41,817	41,817	0	40,080	40,080	0
Total Disbursements	1,435,717	950,290	485,427	1,376,080	740,155	635,925
RECEIPTS OVER (UNDER) DISBURSEMENTS	-239,017	133,825	372,842	-208,080	173,954	382,034
CASH, JANUARY 1	876,122	876,122	0	702,168	702,168	0
CASH, DECEMBER 31	$ 637,105	1,009,947	372,842	494,088	876,122	382,034

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 178,022	181,264	3,242	187,288	177,474	-9,814
Interest	800	837	37	0	741	741
Other	1,200	766	-434	1,500	1,068	-432
Transfers in	20,590	17,590	-3,000	35,000	34,200	-800
Total Receipts	200,612	200,457	-155	223,788	213,483	-10,305
DISBURSEMENTS						
Assessor	200,612	200,836	-224	223,808	212,827	10,981
Total Disbursements	200,612	200,836	-224	223,808	212,827	10,981
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-379	-379	-20	656	676
CASH, JANUARY 1	1,139	1,139	0	483	483	0
CASH, DECEMBER 31	$ 1,139	760	-379	463	1,139	676

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CENTRAL EMERGENCY COMMUNICATIONS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 102,600	102,530	-70	102,460	102,600	140
Interest	400	333	-67	0	339	339
Other	4,900	1,684	-3,216	0	817	817
Transfers in	116,000	116,000	0	114,540	110,000	-4,540
Total Receipts	223,900	220,547	-3,353	217,000	213,756	-3,244
DISBURSEMENTS						
Salaries	195,208	188,164	7,044	184,977	178,118	6,859
Office expenditures	19,300	19,108	192	18,139	18,010	129
Equipment	10,925	12,075	-1,150	11,450	9,676	1,774
Mileage and training	2,500	3,390	-890	2,000	2,763	-763
Total Disbursements	227,933	222,737	5,196	216,566	208,567	7,999
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,033	-2,190	1,843	434	5,189	4,755
CASH, JANUARY 1	6,239	6,239	0	1,050	1,050	0
CASH, DECEMBER 31	$ 2,206	4,049	1,843	1,484	6,239	4,755

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HENRY COUNTY EMERGENCY MANAGEMENT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfers in	$ 10,600	9,792	-808
Total Receipts	10,600	9,792	-808
DISBURSEMENTS			
Salaries	8,962	8,929	33
Office expenditures	300	172	128
Equipment	300	127	173
Mileage and training	500	627	-127
Other	792	191	601
Total Disbursements	10,854	10,046	808
RECEIPTS OVER (UNDER) DISBURSEMENTS	-254	-254	0
CASH, JANUARY 1	254	254	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	1,988	1,988	0	1,498	1,498
Charges for services	8,000	7,583	-417	7,000	7,957	957
Total Receipts	8,000	9,571	1,571	7,000	9,455	2,455
DISBURSEMENTS						
Sheriff	9,500	11,178	-1,678	7,442	8,284	-842
Total Disbursements	9,500	11,178	-1,678	7,442	8,284	-842
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,500	-1,607	-107	-442	1,171	1,613
CASH, JANUARY 1	1,613	1,613	0	442	442	0
CASH, DECEMBER 31	$ 113	6	-107	0	1,613	1,613

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,000	1,856	-1,144	6,000	3,057	-2,943
Total Receipts	3,000	1,856	-1,144	6,000	3,057	-2,943
DISBURSEMENTS						
Prosecuting Attorney	3,700	2,156	1,544	3,800	2,874	926
Total Disbursements	3,700	2,156	1,544	3,800	2,874	926
RECEIPTS OVER (UNDER) DISBURSEMENTS	-700	-300	400	2,200	183	-2,017
CASH, JANUARY 1	721	721	0	538	538	0
CASH, DECEMBER 31	$ 21	421	400	2,738	721	-2,017

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY'S BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 24,000	30,335	6,335	23,000	25,562	2,562
Total Receipts	24,000	30,335	6,335	23,000	25,562	2,562
DISBURSEMENTS						
Prosecuting Attorney	17,000	12,130	4,870	28,000	13,444	14,556
Transfers out	22,840	26,050	-3,210	8,185	13,435	-5,250
Total Disbursements	39,840	38,180	1,660	36,185	26,879	9,306
RECEIPTS OVER (UNDER) DISBURSEMENTS	-15,840	-7,845	7,995	-13,185	-1,317	11,868
CASH, JANUARY 1	28,060	28,060	0	29,377	29,377	0
CASH, DECEMBER 31	$ 12,220	20,215	7,995	16,192	28,060	11,868

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY'S DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 400	1,295	895	350	455	105
Transfers in	5,840	7,050	1,210	0	0	0
Total Receipts	6,240	8,345	2,105	350	455	105
DISBURSEMENTS						
Prosecuting Attorney	12,273	13,326	-1,053	14,591	8,663	5,928
Total Disbursements	12,273	13,326	-1,053	14,591	8,663	5,928
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,033	-4,981	1,052	-14,241	-8,208	6,033
CASH, JANUARY 1	6,033	6,033	0	14,241	14,241	0
CASH, DECEMBER 31	$ 0	1,052	1,052	0	6,033	6,033

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
TRI-COUNTY CHILD SUPPORT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 66,221	59,373	-6,848	62,600	54,166	-8,434
Transfers in	0	9,000	9,000	0	5,250	5,250
Total Receipts	66,221	68,373	2,152	62,600	59,416	-3,184
DISBURSEMENTS						
Salaries	54,081	53,795	286	52,000	52,607	-607
Office expenditures	11,400	11,653	-253	10,100	10,956	-856
Other	500	664	-164	500	428	72
Total Disbursements	65,981	66,112	-131	62,600	63,991	-1,391
RECEIPTS OVER (UNDER) DISBURSEMENTS	240	2,261	2,021	0	-4,575	-4,575
CASH, JANUARY 1	324	324	0	4,899	4,899	0
CASH, DECEMBER 31	$ 564	2,585	2,021	4,899	324	-4,575

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 9-1-1 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 153,000	152,743	-257	142,000	147,143	5,143
Interest	3,000	4,411	1,411	2,000	3,513	1,513
Total Receipts	156,000	157,154	1,154	144,000	150,656	6,656
DISBURSEMENTS						
Telephone charges	96,000	93,617	2,383	90,000	73,540	16,460
Equipment	30,000	18,324	11,676	30,000	27,737	2,263
Other	40,000	1,418	38,582	35,000	1,948	33,052
New building construction/upkeep	2,000	0	2,000	2,000	0	2,000
Training	1,500	0	1,500	1,500	0	1,500
Transfers out	0	26,000	-26,000	0	20,000	-20,000
Total Disbursements	169,500	139,359	30,141	158,500	123,225	35,275
RECEIPTS OVER (UNDER) DISBURSEMENTS	-13,500	17,795	31,295	-14,500	27,431	41,931
CASH, JANUARY 1	136,011	136,011	0	108,580	108,580	0
CASH, DECEMBER 31	$ 122,511	153,806	31,295	94,080	136,011	41,931

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VICTIMS OF DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 17,800	15,838	-1,962	17,000	10,192	-6,808
Charges for services	0	2,445	2,445	0	2,830	2,830
Total Receipts	17,800	18,283	483	17,000	13,022	-3,978
DISBURSEMENTS						
Domestic violence shelter	17,800	18,243	-443	17,000	12,872	4,128
Total Disbursements	17,800	18,243	-443	17,000	12,872	4,128
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	40	40	0	150	150
CASH, JANUARY 1	150	150	0	0	0	0
CASH, DECEMBER 31	$ 150	190	40	0	150	150

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Local use tax	$ 50,000	57,202	7,202	0	10,587	10,587
Intergovernmental	0	24,802	24,802	0	0	0
Interest	0	756	756	50	77	27
Total Receipts	50,000	82,760	32,760	50	10,664	10,614
DISBURSEMENTS						
Construction of elevator	0	0	0	1,000	0	1,000
Capital expenditures	45,000	9,783	35,217	0	0	0
Other	11,000	6,401	4,599	0	0	0
Total Disbursements	56,000	16,184	39,816	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,000	66,576	72,576	-950	10,664	11,614
CASH, JANUARY 1	11,760	11,760	0	1,096	1,096	0
CASH, DECEMBER 31	$ 5,760	78,336	72,576	146	11,760	11,614

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FEDERAL DRUG FORFEITURE PROGRAM FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	7,000	7,960	960
Total Receipts	0	0	0	7,000	7,960	960
DISBURSEMENTS						
Other	350	380	-30	7,000	7,574	-574
Total Disbursements	350	380	-30	7,000	7,574	-574
RECEIPTS OVER (UNDER) DISBURSEMENTS	-350	-380	-30	0	386	386
CASH, JANUARY 1	403	403	0	17	17	0
CASH, DECEMBER 31	$ 53	23	-30	17	403	386

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 4,000	4,339	339	4,500	3,956	-544
Total Receipts	4,000	4,339	339	4,500	3,956	-544
DISBURSEMENTS						
Salaries	1,615	1,615	0	1,615	1,615	0
Office expenditures	250	271	-21	250	203	47
Equipment	300	50	250	300	441	-141
Mileage and training	1,250	569	681	900	1,801	-901
Other	1,535	2,237	-702	1,870	1,628	242
Total Disbursements	4,950	4,742	208	4,935	5,688	-753
RECEIPTS OVER (UNDER) DISBURSEMENTS	-950	-403	547	-435	-1,732	-1,297
CASH, JANUARY 1	1,849	1,849	0	3,581	3,581	0
CASH, DECEMBER 31	$ 899	1,446	547	3,146	1,849	-1,297

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
D.A.R.E FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 884	885	1	0	5,709	5,709
Other	0	3,150	3,150	3,450	3,755	305
Total Receipts	884	4,035	3,151	3,450	9,464	6,014
DISBURSEMENTS						
Office supplies	1,500	3,435	-1,935	2,900	11,333	-8,433
Mileage and training	0	0	0	550	0	550
Total Disbursements	1,500	3,435	-1,935	3,450	11,333	-7,883
RECEIPTS OVER (UNDER) DISBURSEMENTS	-616	600	1,216	0	-1,869	-1,869
CASH, JANUARY 1	2,519	2,519	0	4,388	4,388	0
CASH, DECEMBER 31	$ 1,903	3,119	1,216	4,388	2,519	-1,869

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CORPS OF ENGINEERS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 40,000	41,237	1,237	40,638	40,044	-594
Transfers in	6,000	0	-6,000	12,000	2,000	-10,000
Total Receipts	46,000	41,237	-4,763	52,638	42,044	-10,594
DISBURSEMENTS						
Salaries	18,985	19,844	-859	19,719	19,471	248
Office expenditures	150	2,960	-2,810	100	23	77
Equipment	13,500	19,891	-6,391	22,500	14,394	8,106
Other	0	0	0	776	0	776
Transfers out	14,000	0	14,000	18,400	12,000	6,400
Total Disbursements	46,635	42,695	3,940	61,495	45,888	15,607
RECEIPTS OVER (UNDER) DISBURSEMENTS	-635	-1,458	-823	-8,857	-3,844	5,013
CASH, JANUARY 1	9,998	9,998	0	13,842	13,842	0
CASH, DECEMBER 31	$ 9,363	8,540	-823	4,985	9,998	5,013

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S RECORDS, STORAGE, AND PRESERVATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,000	10,444	444	10,500	9,710	-790
Interest	0	489	489	0	444	444
Total Receipts	10,000	10,933	933	10,500	10,154	-346
DISBURSEMENTS						
Recorder of Deeds	15,000	2,463	12,537	3,000	9,687	-6,687
Transfers out	0	2,461	-2,461	7,347	7,347	0
Total Disbursements	15,000	4,924	10,076	10,347	17,034	-6,687
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,000	6,009	11,009	153	-6,880	-7,033
CASH, JANUARY 1	9,198	9,198	0	16,078	16,078	0
CASH, DECEMBER 31	$ 4,198	15,207	11,009	16,231	9,198	-7,033

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FEDERAL GRANT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 9,496	7,445	-2,051	9,000	9,490	490
Transfers in	12,475	14,450	1,975	10,000	10,250	250
Total Receipts	21,971	21,895	-76	19,000	19,740	740
DISBURSEMENTS						
Salaries	21,994	21,918	76	22,374	21,994	380
Supplies	0	0	0	0	1,143	-1,143
Total Disbursements	21,994	21,918	76	22,374	23,137	-763
RECEIPTS OVER (UNDER) DISBURSEMENTS	-23	-23	0	-3,374	-3,397	-23
CASH, JANUARY 1	24	24	0	3,421	3,421	0
CASH, DECEMBER 31	$ 1	1	0	47	24	-23

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S SPECIAL PROJECT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 38,667	41,560	2,893
Other	750	7,892	7,142
Transfers in	5,310	5,310	0
Total Receipts	44,727	54,762	10,035
DISBURSEMENTS			
Salaries	42,501	47,223	-4,722
Other	1,290	3,334	-2,044
Total Disbursements	43,791	50,557	-6,766
RECEIPTS OVER (UNDER) DISBURSEMENTS	936	4,205	3,269
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 936	4,205	3,269

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 30,000	24,828	-5,172
Total Receipts	30,000	24,828	-5,172
DISBURSEMENTS			
Other	0	2,491	-2,491
Transfers out	30,000	20,861	9,139
Total Disbursements	30,000	23,352	6,648
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,476	1,476
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	1,476	1,476

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 193,706	197,750	4,044	173,000	173,470	470
Intergovernmental	155,289	155,287	-2	161,189	166,689	5,500
Charges for services	27,203	32,900	5,697	24,000	27,529	3,529
Interest	2,800	3,765	965	3,500	4,279	779
Other	19,220	27,422	8,202	25,500	20,566	-4,934
Total Receipts	398,218	417,124	18,906	387,189	392,533	5,344
DISBURSEMENTS						
Salaries	257,240	315,436	-58,196	270,727	266,583	4,144
Office expenditures	13,987	12,555	1,432	9,100	15,164	-6,064
Equipment	16,184	6,687	9,497	20,000	14,528	5,472
Mileage and training	12,589	14,244	-1,655	12,500	12,690	-190
Other	75,536	59,343	16,193	86,000	94,395	-8,395
Total Disbursements	375,536	408,265	-32,729	398,327	403,360	-5,033
RECEIPTS OVER (UNDER) DISBURSEMENTS	22,682	8,859	-13,823	-11,138	-10,827	311
CASH, JANUARY 1	43,798	43,798	0	54,625	54,625	0
CASH, DECEMBER 31	$ 66,480	52,657	-13,823	43,487	43,798	311

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

HENRYCOUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HENRY COUNTY WATER SUPPLY DISTRICT #3 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 50,000	50,000	0	500,000	450,000	-50,000
Total Receipts	50,000	50,000	0	500,000	450,000	-50,000
DISBURSEMENTS						
Construction	50,000	50,000	0	500,000	450,000	50,000
Total Disbursements	50,000	50,000	0	500,000	450,000	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Y

HENRYCOUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HENRY COUNTY WATER SUPPLY DISTRICT #4 FUND

		Year Ended December 31,		
		1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Intergovernmental	$	300,000	300,000	0
Total Receipts		300,000	300,000	0
DISBURSEMENTS				
Construction		300,000	300,000	0
Total Disbursements		300,000	300,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	0	0
CASH, JANUARY 1		0	0	0
CASH, DECEMBER 31	$	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Juvenile Office DYS Grant Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Sheriff's Drug Dog Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1998 and 1997
D.A.R.E. Fund	1998 and 1997
Tri-County Child Support Fund	1998 and 1997
Federal Drug Forfeiture Program Fund	1998 and 1997
Health Center Fund	1998 and 1997
Assessment Fund	1998
Prosecuting Attorney's Delinquent Tax Fund	1998
Victims of Domestic Violence Fund	1998
Sheriff's Special Project Fund	1998
Local Emergency Planning Commission Fund	1997
Federal Grant Fund	1997
Recorder's Records, Storage, and Preservation Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Juvenile Office DYS Grant Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Health Center Fund	1997
Sheriff's Drug Dog Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1998, $2,760,903 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, $100,000 was covered by collateral pledged by one bank and held in the county's name by an affiliate of the same bank holding company, and $228,546 was uninsured and uncollateralized.

Of the county's bank balance at December 31, 1997, $2,537,474 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, $100,000 was covered by collateral pledged by one bank and held in the county's name by an affiliate of the same bank holding company, and $24,492 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.
To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center Board's deposits at December 31, 1998 and 1997 were entirely covered by federal depositary insurance.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $186,054 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $92,169. As of December 31, 1998, $40,961 remains to be paid.

Supplementary Schedule

Schedule

HENRY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9141	$ 48,778	50,433
	U.S. DEPARTMENT OF DEFENSE			
	Direct Programs:			
12.unknown	U.S. Army Corps of Engineers	DACW41-97-H-000	41,237	40,044
	Passed through state:			
	Office of Administration -			
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	27,320	0
	Department of Public Safety -			
12.unknown	Surplus Property	N/A	0	201
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	94-PF-05	50,000	450,000
		95-PF-02	300,000	0
	Program Total		350,000	450,000
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	ERO1640299	13,920	12,111
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	97-VAWA-0047	7,445	8,633
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	380	8,375
	Passed through:			
	State Department of Public Safety -			
16.6	Violence Against Women	98-VAWA-0030	14,230	857
16.6	Local Law Enforcement Block Grants Program	96-LBG-058	0	4,725
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	267	984
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			

	Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-042-18	186,717	28,839
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	2,086	583
::				
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.5	Civil Defense - State and Local Emergency Management Assistance	EMK-97-PA-00074	0	8,262
83.5	Emergency Management - State and Local Assistance	EMK-98-PA-0003	4,339	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	PG0064-9141 IAP	6,380	5,413
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	46,941	43,946
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO146-7141-CCN(	2,764	910
	Department of Social Services -			
93.7	Social Services Block Grant	ERO172-059	15,230	2,839
		ERO172-060	40,328	4,203
		ERO172-122	42,562	1,306
		ERO172-161	10,311	1,543
	Program Total		108,431	9,891
	Department of Health -			
93.9	HIV Prevention Activities - Health Department Based	N/A	73	105
94.0	Maternal and Child Health Services	ERO175-9141	4,002	6,870
	Block Grant to the States	ERO062-9141	264	413
		ERO146-9141	15,778	16,805
	Program Total		20,044	24,088
	Total Expenditures of Federal Awards	$	881,352	698,400

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

HENRY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Henry County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and the Department of Public Safety Surplus Property Program (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $350,000 and $450,000 to subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Henry County, Missouri

Compliance

We have audited the compliance of Henry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Henry County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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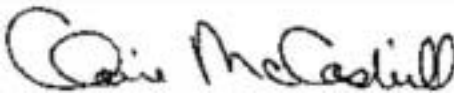
Internal Control Over Compliance

The management of Henry County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Henry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Schedule

HENRY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major program:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	__x__ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HENRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HENRY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HENRY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We also have audited the compliance of Henry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Henry County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Henry County voters under the provisions of Section 67.505, RSMo 1994.

Following are the calculations used in determining excess property tax revenues collected for the two years ended December 31, 1998:

		Year Ended December 31,			
		1998		1997	
Actual sales tax revenues	$	858,895		866,483	
Required percentage of revenue reduction	X	50	%	50	%
Required property tax revenue reduction		429,448		433,242	
Assessed valuation		200,429,479		193,688,689	
General Revenue Fund tax levy reduction (per $100 of assessed valuation)	X	0.21		0.24	
Actual property tax revenue reduction		420,902		464,853	
Excess property tax revenues collected		8,545		(31,612)	
Excess property tax revenue collections from prior years		101,187		132,799	
Excess at December 31,	$	109,732		101,187	

Although the County Commission rolled the General Revenue Fund tax levy back to $.00 for the 1993, 1994, 1995, 1996, and 1997 tax years, the amount of property tax revenue reduction was less than the required 50 percent of the actual sales tax revenues. As of December 31, 1997, the county was still required to reduce property taxes by $101,187. However, the county did not consider this cumulative liability when establishing the 1998 General Revenue Fund levy. The County Clerk indicated he considered only the 1997 required and actual property tax reductions when determining the General Revenue Fund levy allowed for 1998. As a result, the County Commission set the 1998 General Revenue Fund tax levy at $.04. The County Commission should have left the General Revenue Fund tax levy at $.00 until property taxes had been reduced as required by statute.

The County Commission needs to continue reducing its tax levies to offset the $100,000 accumulation of excess property taxes over a reasonable period of time.

WE RECOMMEND the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

AUDITEE'S RESPONSE

On August 3, 1982, the people of Henry County passed a 1/2 cent Local Sales Tax for the county general revenue. Since that time the county property tax levy has been as follows:

1982 = $.40
1983 = $.15
1984 = $.15
1985 = $.02
1986 = $.02
1987 = $.00
1988 = $.00
1989 = $.00
1990 = $.00
1991 = $.00
1992 = $.01
1993 = $.00
1994 = $.00
1995 = $.00
1996 = $.00
1997 = $.00
1998 = $.04

As you can see, nearly all revenues collected through the county property tax were accumulated in the first three years of the sales tax collection. In the 17 years of county sales tax existence, ten years the county has had a $.00 tax levy. As stated in your audit, the county should reduce its tax levy to offset the accumulation of excess property taxes over a reasonable period of time. We consider the past fourteen years to be more than a reasonable amount of time.

AUDITOR'S COMMENT

Although the County Commission significantly reduced the property tax levy for several years, as of December 31, 1997, the county was still required to reduce property tax revenue by $101,187. If the County Commission had levied $.00 for 1998, they could have reduced excess property tax collections by $71,627. Under this scenario, the required reduction for prior years would have been reduced to under $30,000 as of December 31, 1998, and the County Commission probably could have a property tax levy for 1999. The County Commission should levy a $.00 property tax levy for 1999. This should significantly reduce the amount of required property tax reduction.

2. Budgetary Practices and Published Financial Statements

Our review of the county budgets and published financial statements revealed the following concerns:

A. Disbursements were made in excess of approved budgeted amounts for the following funds during the two years ended December 31, 1998, as follows:

	Year Ended December 31,	
Fund	1998	1997
Assessment	$ 224	N/A
Law Enforcement Training	1,678	842
Prosecuting Attorney's Delinquent Tax	1,053	N/A
Tri-County Child Support	131	1,391
Victims of Domestic Violence	443	N/A
Federal Drug Forfeiture Program	30	574
Local Emergency Planning Commission	N/A	753
D.A.R.E.	1,935	7,883
Recorder's Records, Storage, and Preservation	N/A	6,687
Federal Grant	N/A	763
Sheriff's Special Project	6,766	N/A
Health Center	32,729	5,033

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

B. Formal budgets were not prepared and filed with the State Auditor's office for several county funds for the years ended December 31, 1998 and 1997. These funds are used for specific purposes and are held by various county officials outside the County Treasurer's control. No documentation was available to indicate the County Commission obtained financial information regarding these funds prior to preparing the county's consolidated budget.

Chapter 50, RSMo 1994, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more efficiently evaluate all county financial resources.

C. The annual published financial statements of the county did not include the financial activity of some county funds as required. Sections 50.800 and 50.810, RSMo 1994, provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county

funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

D. The county has been significantly overestimating the amounts budgeted for Road and Bridge Fund expenditures for several years as follows:

	Expenditures		
Year Ended December 31,	Actual	Budget	Difference
1998	$ 950,290	1,435,717	485,427
1997	740,155	1,376,080	635,925
1996	1,240,604	1,696,150	455,546
1995	695,115	1,400,027	704,912

As the chart indicates, during the last four years, actual expenditures have been only 50 to 73 percent of budgeted expenditures, so it is apparent the county could have prepared a more reasonable estimate of Road and Bridge Fund expenditures.

Each year the county transfers approximately 3 percent of the budgeted Road and Bridge Fund expenditures to the General Revenue Fund for administrative fees. Section 50.515, RSMo Cum. Supp. 1998, allows the county to impose an administrative service fee not to exceed 3 percent of the total budget of the Special Road and Bridge Fund to generate reimbursement sufficient to recoup actual expenditures made from the General Revenue Fund for applicable administrative services.

Because estimates of expenditures for the Special Road and Bridge Fund are significantly in excess of actual expenditures, the amounts transferred to the General Revenue Fund during 1997 and 1998 were approximately $31,000 higher than they would have been had the transfers been based on more reasonable amounts.

In addition, as noted in our prior report, $105,000 was due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 1996 for excess administrative transfers. This amount was not repaid and at December 31, 1998, $136,000 is due from the General Revenue Fund to the Special Road and Bridge Fund.

Conditions similar to A-D were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

A. And the Health Center Board of Trustees not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the

annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

B. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.

C. And the Health Center Board of Trustees ensure financial information for all county funds is properly reported in the annual published financial statements.

D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of $136,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. The budgets were exceeded primarily because additional revenues were received. In the future, we will try to amend the budget when additional revenues are received.

B. We will attempt to obtain financial information from the various officeholders in charge of these funds, and will forward this information with the consolidated budget.

C. The Henry County Health Center is a political entity unto itself, with its own elected board of directors and its own tax levy. It does not fall under the responsibility of the Henry County Commission, and therefore has not been included in the county's annual financial statement.

We will try to include these other funds in the published financial statements.

D. We will take this recommendation into consideration when the budget is prepared.

The Health Center Administrator provided the following responses:

A. If additional revenues are received, we will amend the budget and file it with the County Clerk's office and the State Auditor's office.

C. The Health Center published financial statements for 1998 and will continue to do so.

3. County Expenditures

Our review of county expenditures during the two years ended December 31, 1998 revealed the following concerns:

A. Bids were not always solicited nor was bid documentation always retained for various purchases made by the county during the audit period. Examples of items purchased for which no evidence of bidding could be located are as follows:

Item Purchased	Amount
Steel	$ 13,860
Demolition of barn	7,524
Ballot printing	6,992
Computers	6,265
Mapping services	6,010
Radio equipment	5,426
Beams	5,054

The County Commission indicated that some items were available only from one vendor in the area; however, documentation of sole source procurements was not maintained.

Section 50.660, RSMo Supp. 1998, requires the advertisement for bids for all purchases of $4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are being followed. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, a copy of all bids received, a summary of the basis and justification for awarding the bid, and documentation of all discussions with vendors.

B. The county's policy for meal reimbursements states county employees shall be reimbursed to a maximum of $5.50 for breakfast, $5.50 for lunch, and $12 for dinner based on the submission of appropriate receipts. From the warrant requests reviewed for the Prosecuting Attorney Training Fund, it appears the Prosecuting Attorney was reimbursed in excess of the county's policy for meal expenditures. Our review of expenses claimed by the Prosecuting Attorney to attend the spring and fall training seminars indicated approximately $79 was claimed and reimbursed in excess of the county meal policy.

C. IRS Forms 1099-MISC were not issued for payments made from the Prosecuting Attorney Bad Check Fund totaling $2,561 to a special prosecutor for services rendered during the two years ended December 31, 1998. Sections 6041 and 6051 of

the Internal Revenue Code require nonemployee payments of at least $600 in one year to an individual or unincorporated business be reported to the federal government on Form 1099-Miscellaneous.

Conditions similar to B and C were noted in our prior report.

WE RECOMMEND the County Commission:

A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

B. Ensure the county's policy for reimbursement of meal expenditures is followed and obtain reimbursement for any of the excess meal reimbursements that cannot be justified.

C. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. The vendor used for the ballot printing is the sole source for these services in our area. We buy used steel and beams when we can get it cheaper than the bid received. In the future, we will better document these purchases.

B. The county's policy on meal reimbursement was changed January of 1999, to pay for meals based on a daily allowance instead of a per meal allowance.

C. We will cooperate with the Prosecuting Attorney's office to get these forms filed.

The Prosecuting Attorney provided the following responses:

B. We intended to pay the meal expenses from the Prosecuting Attorney Bad Check Fund and funds have been transferred from the Prosecuting Attorney Bad Check Fund to the Prosecuting Attorney Training Fund to reimburse these expenditures.

C. It was my understanding that the 1099 forms would be prepared by the County Clerk's office.

AUDITOR'S COMMENT

B. The County Commission and the Prosecuting Attorney need to ensure that expenditures made from all county funds, including the Prosecuting Attorney Bad Check Fund and the

Prosecuting Attorney Training Fund, are necessary for county operations and a prudent use of public monies.

4. Collateral Securities

The amount of collateral securities pledged by the county's depositary banks in December 1998 and December 1997 were insufficient by approximately $228,000 and $24,000, respectively, to cover monies in the custody of the County Treasurer and Ex Officio County Collector. It appears this situation occurred because bank balances are not being properly monitored by the county.

Section 110.020, RSMo 1994, provides the value of securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Treasurer and Ex Officio County Collector ensure collateral securities pledged by the depositary banks are sufficient to protect county monies at all times.

AUDITEE'S RESPONSE

We have a depositary agreement that requires the bank to pledge securities as necessary to cover county funds. I have contacted the individual at the bank who is in charge of this and we have each made notations on our calenders to remind us to review coverage in November.

5. General Fixed Assets

Our review of the county's general fixed asset records and procedures indicated the following areas in which improvements are needed:

A. General fixed asset items are not numbered, tagged or otherwise identified as county property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

B. An annual inventory of all general fixed assets is not conducted. During the audit period, each officeholder was asked to prepare a listing of general fixed assets. However, there was no documentation that personnel in the County Clerk's Office reviewed or verified the listings prepared by the officeholders. The listings prepared appeared to be primarily for insurance purposes and included computer equipment, vehicles, and road and bridge equipment. The County Clerk does not reconcile

general fixed asset purchases to additions to the general fixed asset inventory, and thus there is no assurance the listings are complete.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property. Annual inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Clerk:

A. Ensure all fixed asset items are properly numbered, tagged, or otherwise identified as county property.

B. Perform and document annual inventories of county-owned property and update the fixed asset records for unrecorded property additions and dispositions.

AUDITEE'S RESPONSE

The General Assembly of 1999 addressed this issue and new legislation will become effective in August of 1999. Inventory of general fixed assets will no longer be the responsibility of the County Clerk. Under the new legislation, the implementation of inventorying of assets will finally become feasible to monitor.

6. Juvenile Officer's Accounting Controls and Procedures

Our review of the Juvenile Office revealed the following concerns:

A. The Juvenile Office does not issue receipts for some monies received for the Division of Youth Services account. To adequately account for all collections, receipt slips should be issued for all monies received. In addition, the method of payment indicated on each receipt slip should be reconciled to the composition of the monies deposited.

B. The Juvenile Office provides gas credit cards to each of the 13 office employees and the Circuit Judge. The gas cards are used to fuel personal vehicles and the gas purchased is billed to the Juvenile Office. At the end of the month, each employee using a gas card reimburses the Juvenile Office for his/her share of the gas bill and submits a mileage report for miles traveled between the three counties in the circuit. Employees are reimbursed $.28 per mile for miles traveled in personal vehicles for the Juvenile Office.

Since the Juvenile Office is recognized as a governmental entity, it is given a tax exemption for federal gas taxes of approximately $.18 per gallon. However, since the gas is purchased for personal vehicles, it is used for both business and personal purposes. For one month reviewed, we noted the Circuit Judge and Juvenile Office employees saved $233 as a result of not paying federal gas tax. We also noted one secretary who saved $22 during the same month but does not drive any business miles.

Governmental entities are exempt from paying federal gas taxes, but individuals purchasing gas for personal vehicles are not. Thus it does not appear proper for the Juvenile Office to allow its employees to benefit from the use of these gas cards.

C. Checks and money orders made out to the Juvenile Office, and deposited into the Juvenile Court account, are not always restrictively endorsed immediately upon receipt.

To reduce the risk of loss, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Juvenile Officer:

A. Issue receipts for all monies received and the method of payment indicated on each receipt slip should be reconciled to the composition of the monies deposited.

B. Review the practice of allowing employees to use Juvenile Office gas cards to purchase gas for personal use.

C. Ensure all checks and money orders are restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

A. The Juvenile Office now issues receipts for all monies received.

B. Effective July 6, 1999, the Juvenile Office no longer uses the petro cards for employees. All employees' gas cards were collected and the practice of charging fuel and then collecting payments from employees was stopped. The Juvenile Office continues to maintain one gas key and card for use in fueling the Juvenile Office van. The van is used exclusively for Juvenile Office business and transportation of youths who come under the jurisdiction of the court.

C. All checks and money orders made payable to the Juvenile Office are now restrictively endorsed immediately upon receipt.

This report is intended for the information of the management of Henry County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

HENRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Henry County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices and Published Financial Statements

   A. Warrants were issued in excess of approved budgeted expenditures.

   B. Formal budgets were not prepared for various county funds for the years ended December 31, 1996, 1995, and 1994.

   C. The annual published financial statements of the county did not include the financial activity of some county funds as required.

   D. At December 31, 1996, $105,000 in excess administrative transfers was due from the General Revenue Fund to the Special Road and Bridge Fund.

   Recommendation:

   The County Commission:

   A. And the Health Center not authorize warrants in excess of budgeted expenditures.

   B. Ensure budgets are prepared or obtained for all county funds.

   C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

   D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of $105,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

   Status:

   A, B, C&D. Not implemented. See MAR No. 2.

2. County Expenditures

   A. The county's policy for meal reimbursements was not being followed.

   B. Supporting documentation was not available for expenditures incurred by the Prosecuting Attorney for various funds.

C. Some expenditures from the Prosecuting Attorney Bad Check Fund apparently were not a prudent use of public funds.

D. 1) IRS Forms 1099-MISC were not issued for services rendered by two special prosecutors.

2) Payments for extra work performed by a part-time employee of the Prosecuting Attorney's Office were not included on the payroll records or W-2 form. In addition, no withholdings for applicable federal and state income taxes or social security were made from those payments.

E. The county paid the Sheriff's deputies based on miles driven to transport prisoners, rather than on hours worked; therefore, any overtime incurred was not calculated.

Recommendation:

The County Commission:

A. Ensure the county's policy for reimbursement of meal expenditures is followed and obtain reimbursement for any of the excess meal reimbursements that cannot be justified.

B. Require adequate supporting documentation be submitted and retained for all expenditures.

C. Review the need for such expenditures with the Prosecuting Attorney and ensure all future expenditures represent a prudent use of public monies.

D.1. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

2. Ensure all employee compensation is reported on employees' payroll records and W-2 forms. All taxes should be properly withheld and paid to the appropriate authorities.

E. And Sheriff review the overall procedures for paying deputies who perform guard duties to ensure compliance with FLSA provisions.

Status:

A. Not implemented. The County Commission did not obtain reimbursement for excessive meal reimbursements and excessive reimbursements continued to be made. See MAR No. 3.

B, D.2, & E. Implemented.

C. Not implemented. We noted some meal reimbursements which appeared excessive but the County Commission verbally indicated their policy does not apply to this fund. Although not repeated in the current MAR, our recommendation remains as stated above.

D.1. Not implemented. See MAR No. 3.

3. General Fixed Assets

A. Some fixed asset items were not numbered, tagged, or otherwise identified and the source of acquisition by fund was not recorded in the fixed asset records for any of the fixed assets.

B. No documentation existed that an annual inventory of general fixed assets had been performed and the general fixed asset records had not been updated to reflect additions and dispositions of assets which occurred during 1995 and 1996.

Recommendation:

The County Clerk:

A. Ensure all fixed asset items are properly numbered, tagged, or otherwise identified and ensure the source of acquisition by fund is recorded in the fixed asset records.

B. Perform and document inventories of county-owned property and update the fixed asset records for unrecorded property additions and dispositions.

Status:

A&B. Not implemented. See MAR No. 5.

4. County Clerk's Accounting Controls and Procedures

A. Inventory records were not maintained to account for the number of plat books purchased, sold, given away, or on hand.

B. Checks were not restrictively endorsed upon receipt and receipts were not turned over to the County Treasurer daily or when accumulated receipts exceed $100.

C. Receipt slips issued were not prenumbered.

D. The method of payment received was not indicated on the County Clerk's receipt slips and the composition of the payments received was not reconciled to the composition of the turnovers to the County Treasurer.

Recommendation:

The County Clerk:

A. Maintain inventory records of plat books and periodically reconcile the number of plat books purchased, sold, or given away to the number on hand.

B. Restrictively endorse checks immediately upon receipt and turn over all receipts to the County Treasurer daily or when accumulated receipts exceed $100.

C. Issue prenumbered receipt slips for all monies received.

D. Indicate the method of payment on receipt slips and reconcile the composition of payments received to amounts turned over to the County Treasurer.

Status:

A, B, C&D. Implemented.

5. Health Center

A. Prenumbered receipt slips were not always issued for monies received by the Health Center sanitation clerk.

B. Accounting and bookkeeping duties were not adequately segregated. There was no independent review of the accounting records or reconciliations by a supervisor or other independent individual.

Recommendation:

The Health Center Board of Trustees:

A. Require the sanitation clerk to issue prenumbered receipt slips for all monies received.

B. Segregate the record keeping duties of the clerk, or at a minimum, require that a supervisor or an independent person perform and document a periodic review of the bank reconciliations and accounting records.

Status:

A. Implemented.

B. Implemented. The Health Center now has an independent review of deposits and checks are signed by the Board of Trustees. Beginning in March 1999, the administrator performs a review of the bank reconciliations.

6. Treasurer Ex Officio Collector's Accounting Controls and Procedures

A. Monies received by the Ex Officio Collector were not deposited intact.

B. The Ex Officio Collector did not issue receipt slips for or maintain a log of fees received for issuing duplicate copies of paid tax receipts.

C. The method of payment received was not indicated on the Treasurer’s receipt slips.

Recommendation:

The Treasurer Ex Officio Collector:

A. Maintain a change fund at a constant amount and deposit all receipts intact.

B. Issue prenumbered receipt slips for monies received for duplicate copies of paid tax receipts, or at a minimum, maintain a log of the monies received for such fees.

C. Indicate the method of payment on receipt slips and reconcile the composition of payments received to amounts deposited in the bank.

Status:

A, B, & C. Implemented.

7. Statutory Salaries

Increases were given to some officials during their term of office with no support for such increases and different salary amounts were paid to the two associate commissioners, even though both should have been computed under the same statute.

Recommendation:

The County Commission ensure future salary commission actions clearly document the amounts to be paid to each official and when increases in compensation will take effect. Officials should then be paid in accordance with such provisions.

Status:

Implemented. While the previous salary amounts were not reduced, the Salary Commission met in 1997 and voted to set salaries at 85 percent of the salary authorized by statute along with an annual cost of living adjustment. The County Clerk prepared a worksheet to document each official's 1999 salary.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HENRY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1834, the county of Henry was named after Patrick Henry. Henry County is a township-organized, third-class county and is part of the twenty-seventh Judicial Circuit. The county seat is Clinton.

Henry County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows where Henry County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 84,337	3	65,731	3
Sales taxes	858,895	29	866,483	32
Federal and state aid	1,334,161	46	1,068,646	40
Fees, interest, and other	653,543	22	666,992	25
Total	$ 2,930,936	100	2,667,852	100

The following chart shows how Henry County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 874,965	31	928,742	36
Public safety	967,214	35	917,727	35
Highways and roads	950,290	34	740,155	29
Total	$ 2,792,469	100	2,586,624	100

The county maintains approximately 145 county bridges and has 748 miles of county roads which are maintained by the various townships.

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The county's population was 18,451 in 1970 and 20,044 in 1990. The following chart shows the county's growth in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
			(in millions)		
Real estate	$ 127.6	123.5	86.4	35.7	28.1
Personal property	53.9	50.7	20.9	15.9	9.7
Railroad and utilities	18.9	19.5	13.7	14.2	10.2
Total	$ 200.4	193.7	121.0	65.8	48.0

* First year of statewide reassessment.
** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Henry County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue	$ 0.04	0.00
Health Center Fund	0.10	0.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 59,582	58,018
General Revenue Fund	75,210	3,495
Special Road and Bridge	72,119	70,693
Township Road Districts	415,388	365,689
Townships	99,887	97,944
Assessment Fund	96,794	85,647
Health Center Fund	196,298	191,419
School districts	2,893,964	2,598,763
Library district	355,455	347,897
Ambulance district	26,799	25,648
Fire protection district	6,698	7,268
Hospital	14,089	13,837
State Fair Community College	3,594	3,142
Cities	299,708	285,047
County Employees' Retirement	37,850	36,327
Merchants and manufacturing licenses	14,850	15,625
Commissions and fees:		
General Revenue Fund	128,115	116,830
Ex Officio County Collector	8,822	8,236

Total	$	4,805,222	4,331,525

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Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	90.8 %	90.8 %
Personal property	84.4	86.3
Railroad and utilities	99.9	99.9

Henry County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	0.005	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Joe Simms, Presiding Commissioner	$		20,000	20,000
Don Bullock, Associate Commissioner			20,000	20,000
Richard W. Nichols, Associate Commissioner			20,000	20,000
Becky Raysik, Recorder of Deeds			30,000	30,000
Gene Pogue, County Clerk			32,500	32,500
John J. Kopp, Jr., Prosecuting Attorney			37,000	37,000
Kent Oberkrom, Sheriff			38,000	38,000
John J. Prince, County Coroner			7,000	7,000
Leona Wilson, Public Administrator *			70,134	58,057
Mildred Johnson, Treasurer and Ex Officio County Collector, year ended March 31, **		43,732	42,887	
James Keck, County Assessor, year ended August 31,***			42,400	34,300
David Whitehead, County Surveyor ****			700	N/A

* Compensation includes only fees received from estate cases filed with Division III and no additional salary.
** Includes $8,822 and $8,236, respectively, of commissions earned for collecting city property taxes.
*** Includes $900 received from the state.
**** Compensation on a fee basis.

State-Paid Officials:			
Janice Sloan, Circuit Clerk		42,183	40,176
Wayne Strothman, Associate Circuit Judge		85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	Number of Employees Paid by State
Circuit Clerk	0	4
Recorder of Deeds (1)	2	0
County Clerk	3	0
Prosecuting Attorney	6	0
Sheriff (2)	18	0
Treasurer and Ex Officio County Collector	2	0
County Assessor (3)	8	0
Associate Division	0	3
Probate Division	0	1
Road and Bridge (1)	7	0
Health Center (4)	13	0
Total	59	8

(1) Includes one part-time employee.
(2) Includes three part-time employees.
(3) Includes four part-time employees.
(4) Includes six part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Henry County's share of the twenty-seventh Judicial Circuit's expenses is 46.05 percent.

AUDIT REPORT

LAWRENCE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-56
August 19, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Lawrence, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Lawrence County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< As similarly recommended in prior audit reports the County Commission should require all county employees to complete time sheets which reflect actual time worked and leave taken. Centralized leave records should be maintained for county employees, a comprehensive employee manual needs to be developed and the county needs to ensure overtime and compensatory time policies comply with federal law.

< The county did not always solicit bids nor was bid documentation always kept for various purchases. The County Commission and the County Clerk indicated they had procedures in place to ensure the best price obtained, but will work on retaining the necessary documentation.

Also included in the audit are recommendations regarding revenue maximization, county officials' compensation, property tax system and computer controls and general fixed assets. The audit also suggested improvements in controls and procedures of the County Treasurer, Health Center, County Collector, Recorder of Deeds, Sheriff, and Public Administrator.

Copies of the audit are available upon request.

YELLOW SHEET

LAWRENCE COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Lawrence County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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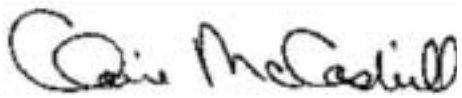
Lawrence County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 5, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Lawrence County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 5, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the special-purpose financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Lawrence County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Lawrence County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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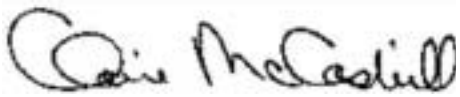
weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Lawrence County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 5, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	432,023	2,478,119	2,371,988	538,154
Special Road and Bridge		281,954	1,969,844	1,997,897	253,901
Assessment		144,395	199,122	173,873	169,644
Law Enforcement Training		1,286	6,324	7,476	134
Prosecuting Attorney Training		2,380	1,397	0	3,777
Common #1 Road District		40,522	299,934	271,440	69,016
Common #2 Road District		15,376	261,620	248,149	28,847
Prosecuting Attorney Bad Check		17,130	25,820	20,697	22,253
Domestic Violence		0	1,221	1,221	0
Drug and Dare		2,821	1,675	1,754	2,742
Emergency 911		139,249	164,009	164,586	138,672
Sheriff Special Fund		2,391	12,590	9,435	5,546
Developmentally Disabled		82,714	183,664	158,526	107,852
Senior Citizens Service		79,515	125,496	119,204	85,807
Law Library		9,533	5,030	4,312	10,251
Circuit Clerk Interest		6,636	2,241	0	8,877
Recorder User Fee		78,751	20,197	41,491	57,457
Associate Circuit Division Interest		9,476	1,584	0	11,060
Total	$	1,346,152	5,759,887	5,592,049	1,513,990

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	180,747	2,457,002	2,205,726	432,023
Special Road and Bridge		303,550	1,857,002	1,878,598	281,954
Assessment		129,837	177,102	162,544	144,395
Law Enforcement Training		3,199	3,559	5,472	1,286
Prosecuting Attorney Training		1,227	1,789	636	2,380
Common #1 Road District		55,531	392,268	407,277	40,522
Common #2 Road District		24,261	196,604	205,489	15,376
Prosecuting Attorney Bad Check		6,048	26,969	15,887	17,130
Domestic Violence		0	1,320	1,320	0
Drug and Dare		2,559	2,027	1,765	2,821
Emergency 911		10,690	212,018	83,459	139,249
Sheriff Special Fund		0	2,391	0	2,391
Developmentally Disabled		48,987	161,796	128,069	82,714
Senior Citizens Service		65,301	110,332	96,118	79,515
Law Library		8,737	5,049	4,253	9,533
Circuit Clerk Interest		7,442	2,152	2,958	6,636
Recorder User Fee		62,192	17,160	601	78,751
Law Enforcement Block Grant		0	2,601	2,601	0
Associate Circuit Division Interest		7,940	1,536	0	9,476
Total	$	918,248	5,630,677	5,202,773	1,346,152

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 229,500	244,792	15,292	169,500	228,249	58,749
Sales taxes	950,000	954,999	4,999	925,000	938,499	13,499
Intergovernmental	679,689	678,421	-1,268	585,068	701,909	116,841
Charges for services	430,700	474,440	43,740	394,400	447,023	52,623
Interest	46,000	47,489	1,489	35,000	45,673	10,673
Other	37,590	39,728	2,138	52,850	57,149	4,299
Transfers in	38,250	38,250	0	38,485	38,500	15
Total Receipts	2,411,729	2,478,119	#VALUE!	2,200,303	2,457,002	#VALUE!
DISBURSEMENTS						
County Commission	179,600	197,404	-17,804	146,100	129,068	17,032
County Clerk	60,000	59,575	425	58,992	58,062	930
Elections	93,132	92,935	197	59,982	47,948	12,034
Buildings and grounds	81,535	94,753	-13,218	73,188	77,998	-4,810
Employee fringe benefits	197,300	182,468	14,832	176,300	177,154	-854
County Treasurer	26,740	25,655	1,085	26,150	25,435	715
County Collector	61,666	59,839	1,827	59,969	59,323	646
Recorder of Deeds	81,565	76,798	4,767	78,932	73,489	5,443
Circuit Clerk	12,950	12,759	191	15,725	14,168	1,557
Associate Circuit Court	28,363	24,928	3,435	27,035	23,341	3,694
Court administration	42,902	15,852	27,050	35,364	38,875	-3,511
Public Administrator	19,150	19,072	78	16,926	17,220	-294
Sheriff	535,600	533,088	2,512	482,633	510,020	-27,387
Jail	217,000	206,334	10,666	177,367	208,261	-30,894
Prosecuting Attorney	177,919	169,895	8,024	171,765	162,501	9,264
Juvenile Officer	124,157	118,377	5,780	85,640	97,956	-12,316
Child support enforcement	89,755	86,515	3,240	83,491	78,590	4,901
County Coroner	19,790	16,593	3,197	18,460	17,853	607
Health Center	323,794	308,916	14,878	298,641	291,984	6,657
Insurance and bonds	50,000	8,125	41,875	50,000	43,974	6,026
University extension	29,890	29,890	0	27,628	37,628	-10,000
Civil defense	9,500	8,793	707	9,200	8,301	899
TIF distribution	8,432	17,349	-8,917	0	0	0
Other	7,921	6,075	1,846	6,664	6,577	87
Emergency Fund	72,400	0	72,400	66,100	0	66,100
Total Disbursements	2,551,061	2,371,988	179,073	2,252,252	2,205,726	46,526
RECEIPTS OVER (UNDER) DISBURSEMENTS	-139,332	106,131	#VALUE!	-51,949	251,276	#VALUE!
CASH, JANUARY 1	432,023	432,023	0	180,747	180,747	0
CASH, DECEMBER 31	$ 292,691	538,154	#VALUE!	128,798	432,023	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 34,776	37,813	3,037	42,500	36,284	-6,216
Sales taxes	950,000	960,182	10,182	925,000	936,433	11,433
Intergovernmental	927,000	935,943	8,943	841,400	873,317	31,917
Interest	10,000	10,550	550	4,500	10,768	6,268
Other	25,000	25,356	356	0	200	200
Total Receipts	1,946,776	1,969,844	23,068	1,813,400	1,857,002	43,602
DISBURSEMENTS						
Distributions to special road districts	1,439,245	1,427,044	12,201	1,402,136	1,381,078	21,058
Interfund loan	30,000	30,000	0	0	0	0
Road sign project	40,000	29,687	10,313	40,000	25,491	14,509
TIF distribution	8,432	17,349	-8,917	0	0	0
Other	70,300	43	70,257	178,132	249	177,883
Transfers out	497,755	493,774	3,981	496,682	471,780	24,902
Total Disbursements	2,085,732	1,997,897	87,835	2,116,950	1,878,598	238,352
RECEIPTS OVER (UNDER) DISBURSEMENTS	-138,956	-28,053	110,903	-303,550	-21,596	281,954
CASH, JANUARY 1	281,954	281,954	0	303,550	303,550	0
CASH, DECEMBER 31	$ 142,998	253,901	110,903	0	281,954	281,954

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 196,275	191,096	-5,179	168,274	171,642	3,368
Charges for services	3,000	8,026	5,026	4,724	5,460	736
Other	5,525	0	-5,525	0	0	0
Total Receipts	204,800	199,122	-5,678	172,998	177,102	4,104
DISBURSEMENTS						
Assessor	202,300	172,623	29,677	173,088	160,312	12,776
Transfer out	2,500	1,250	1,250	2,217	2,232	-15
Total Disbursements	204,800	173,873	30,927	175,305	162,544	12,761
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	25,249	25,249	-2,307	14,558	16,865
CASH, JANUARY 1	144,395	144,395	0	129,837	129,837	0
CASH, DECEMBER 31	$ 144,395	169,644	25,249	127,530	144,395	16,865

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	3,375	3,375	0	0	0
Charges for services	3,000	449	-2,551	7,500	3,559	-3,941
Transfer in	0	2,500	2,500	0	0	0
Total Receipts	3,000	6,324	3,324	7,500	3,559	-3,941
DISBURSEMENTS						
Sheriff	4,286	7,476	-3,190	10,699	5,472	5,227
Total Disbursements	4,286	7,476	-3,190	10,699	5,472	5,227
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,286	-1,152	134	-3,199	-1,913	1,286
CASH, JANUARY 1	1,286	1,286	0	3,199	3,199	0
CASH, DECEMBER 31	$ 0	134	134	0	1,286	1,286

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,600	1,397	-203	3,000	1,789	-1,211
Total Receipts	1,600	1,397	-203	3,000	1,789	-1,211
DISBURSEMENTS						
Prosecuting Attorney	3,980	0	3,980	4,227	636	3,591
Total Disbursements	3,980	0	3,980	4,227	636	3,591
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,380	1,397	3,777	-1,227	1,153	2,380
CASH, JANUARY 1	2,380	2,380	0	1,227	1,227	0
CASH, DECEMBER 31	$ 0	3,777	3,777	0	2,380	2,380

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMON #1 ROAD DISTRICT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 33,000	33,552	552	29,000	31,067	2,067
Intergovernmental	0	0	0	120,000	100,221	-19,779
Interest	0	123	123	0	703	703
Other	0	760	760	1,000	6,903	5,903
Transfer in	268,001	265,499	-2,502	271,714	253,374	-18,340
Total Receipts	301,001	299,934	-1,067	421,714	392,268	-29,446
DISBURSEMENTS						
Salaries and fringe benefits	99,300	86,181	13,119	107,746	92,515	15,231
Maintenance	171,600	159,346	12,254	270,371	246,924	23,447
Equipment	60,000	20,198	39,802	55,800	62,321	-6,521
Mileage and training	600	283	317	600	384	216
Other	6,500	5,432	1,068	6,500	5,133	1,367
Total Disbursements	338,000	271,440	66,560	441,017	407,277	33,740
RECEIPTS OVER (UNDER) DISBURSEMENTS	-36,999	28,494	65,493	-19,303	-15,009	4,294
CASH, JANUARY 1	40,522	40,522	0	55,531	55,531	0
CASH, DECEMBER 31	$ 3,523	69,016	65,493	36,228	40,522	4,294

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMON #2 ROAD DISTRICT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 15,000	15,430	430	13,500	14,193	693
Intergovernmental	0	24,915	24,915	160,000	0	-160,000
Charges for services	0	0	0	1,275	0	-1,275
Interfund loan	0	30,000	30,000	0	0	0
Other	0	0	0	0	273	273
Transfer in	222,754	191,275	-31,479	188,700	182,138	-6,562
Total Receipts	237,754	261,620	23,866	363,475	196,604	-166,871
DISBURSEMENTS						
Salaries and fringe benefits	58,500	49,123	9,377	63,396	58,903	4,493
Maintenance	152,819	171,525	-18,706	281,800	110,453	171,347
Equipment	40,500	24,983	15,517	29,000	31,645	-2,645
Mileage and training	2,000	277	1,723	3,500	1,888	1,612
Other	3,000	2,241	759	4,600	2,600	2,000
Total Disbursements	256,819	248,149	8,670	382,296	205,489	176,807
RECEIPTS OVER (UNDER) DISBURSEMENTS	-19,065	13,471	32,536	-18,821	-8,885	9,936
CASH, JANUARY 1	15,376	15,376	0	24,261	24,261	0
CASH, DECEMBER 31	$ -3,689	28,847	32,536	5,440	15,376	9,936

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 30,000	25,364	-4,636	22,000	26,969	4,969
Intergovernmental	0	434	434	0	0	0
Other	0	22	22	0	0	0
Total Receipts	30,000	25,820	-4,180	22,000	26,969	4,969
DISBURSEMENTS						
Prosecuting Attorney	44,800	20,697	24,103	28,048	15,887	12,161
Total Disbursements	44,800	20,697	24,103	28,048	15,887	12,161
RECEIPTS OVER (UNDER) DISBURSEMENTS	-14,800	5,123	19,923	-6,048	11,082	17,130
CASH, JANUARY 1	17,130	17,130	0	6,048	6,048	0
CASH, DECEMBER 31	$ 2,330	22,253	19,923	0	17,130	17,130

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,320	1,221	-99	1,400	1,320	-80
Total Receipts	1,320	1,221	-99	1,400	1,320	-80
DISBURSEMENTS						
Domestic violence shelters	1,320	1,221	99	1,400	1,320	80
Total Disbursements	1,320	1,221	99	1,400	1,320	80
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG AND DARE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	2,000	1,675	-325	4,000	2,027	-1,973
Total Receipts	2,000	1,675	-325	4,000	2,027	-1,973
DISBURSEMENTS						
Sheriff	4,821	1,754	3,067	6,559	1,765	4,794
Total Disbursements	4,821	1,754	3,067	6,559	1,765	4,794
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,821	-79	2,742	-2,559	262	2,821
CASH, JANUARY 1	2,821	2,821	0	2,559	2,559	0
CASH, DECEMBER 31	$ 0	2,742	2,742	0	2,821	2,821

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 191,613	162,415	-29,198	242,687	212,018	-30,669
Interest	0	0	0	6,531	0	-6,531
Other	0	1,594	1,594	0	0	0
Total Receipts	191,613	164,009	-27,604	249,218	212,018	-37,200
DISBURSEMENTS						
Salaries and fringe benefits	60,065	52,585	7,480	0	2,863	-2,863
Supplies	10,615	3,866	6,749	0	874	-874
Mileage and training	1,620	1,792	-172	3,000	253	2,747
Telephone networking	35,606	49,754	-14,148	0	0	0
Equipment	175,555	39,508	136,047	20,920	8,264	12,656
Mapping services	5,000	4,577	423	53,941	70,684	-16,743
Other	15,000	12,504	2,496	5,000	521	4,479
Total Disbursements	303,461	164,586	138,875	82,861	83,459	-598
RECEIPTS OVER (UNDER) DISBURSEMENTS	-111,848	-577	111,271	166,357	128,559	-37,798
CASH, JANUARY 1	139,249	139,249	0	10,690	10,690	0
CASH, DECEMBER 31	$ 27,401	138,672	111,271	177,047	139,249	-37,798

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF SPECIAL FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 12,590	12,590	0
Total Receipts	12,590	12,590	0
DISBURSEMENTS			
Sheriff	7,000	6,935	65
Transfer out	2,500	2,500	0
Total Disbursements	9,500	9,435	65
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,090	3,155	65
CASH, JANUARY 1	2,391	2,391	0
CASH, DECEMBER 31	$ 5,481	5,546	65

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DEVELOPMENTALLY DISABLED FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 173,506	174,568	1,062	140,996	149,961	8,965
Intergovernmental	1,465	1,465	0	3,004	3,004	0
Interest	2,600	5,981	3,381	2,500	3,241	741
Other	0	1,650	1,650	3,500	5,590	2,090
Total Receipts	177,571	183,664	6,093	150,000	161,796	11,796
DISBURSEMENTS						
Contractual services	200,000	140,203	59,797	150,000	126,338	23,662
Loan to sheltered workshop	0	16,000	-16,000	0	0	0
Other	8,000	2,323	5,677	9,000	1,731	7,269
Total Disbursements	208,000	158,526	49,474	159,000	128,069	30,931
RECEIPTS OVER (UNDER) DISBURSEMENTS	-30,429	25,138	55,567	-9,000	33,727	42,727
CASH, JANUARY 1	82,714	82,714	0	49,642	48,987	-655
CASH, DECEMBER 31	$ 52,285	107,852	55,567	40,642	82,714	42,072

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZENS SERVICE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Property taxes	$ 113,954	121,122	7,168
Intergovernmental	1,046	1,046	0
Interest	2,000	3,328	1,328
Total Receipts	117,000	125,496	8,496
DISBURSEMENTS			
Contractual services	131,667	116,587	15,080
Office expenditures	500	2,617	-2,117
Emergency Fund	35,833	0	35,833
Total Disbursements	168,000	119,204	48,796
RECEIPTS OVER (UNDER) DISBURSEMENTS	-51,000	6,292	57,292
CASH, JANUARY 1	79,515	79,515	0
CASH, DECEMBER 31	$ 28,515	85,807	57,292

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,150	5,030	-120	5,000	5,049	49
Total Receipts	5,150	5,030	-120	5,000	5,049	49
DISBURSEMENTS						
Law Library	4,450	4,312	138	4,050	4,253	-203
Total Disbursements	4,450	4,312	138	4,050	4,253	-203
RECEIPTS OVER (UNDER) DISBURSEMENTS	700	718	18	950	796	-154
CASH, JANUARY 1	9,533	9,533	0	8,737	8,737	0
CASH, DECEMBER 31	$ 10,233	10,251	18	9,687	9,533	-154

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 2,350	2,241	-109	2,200	2,152	-48
Total Receipts	2,350	2,241	-109	2,200	2,152	-48
DISBURSEMENTS						
Circuit Clerk	3,500	0	3,500	4,250	2,958	1,292
Total Disbursements	3,500	0	3,500	4,250	2,958	1,292
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,150	2,241	3,391	-2,050	-806	1,244
CASH, JANUARY 1	4,484	6,636	2,152	5,071	7,442	2,371
CASH, DECEMBER 31	$ 3,334	8,877	5,543	3,021	6,636	3,615

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

LAWRENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 18,000	20,197	2,197	17,000	17,160	160
Total Receipts	18,000	20,197	2,197	17,000	17,160	160
DISBURSEMENTS						
Recorder of Deeds	90,000	41,491	48,509	40,000	601	39,399
Total Disbursements	90,000	41,491	48,509	40,000	601	39,399
RECEIPTS OVER (UNDER) DISBURSEMENTS	-72,000	-21,294	50,706	-23,000	16,559	39,559
CASH, JANUARY 1	77,511	78,751	1,240	60,958	62,192	1,234
CASH, DECEMBER 31	$ 5,511	57,457	51,946	37,958	78,751	40,793

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Developmentally Disabled Board or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Associate Circuit Division Interest Fund for the years ended December 31, 1998 and 1997, and the Senior Citizens Service Fund, Sheriff Special Fund, and Law Enforcement Block Grant Fund for the year ended December 31, 1997.

Warrants issued were in excess of budgeted amounts for the Law Enforcement Training Fund in 1998, and the Emergency 911 Fund and Law Library Fund in 1997. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the Common #2 Road District Fund for the year ended December 31, 1998. However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before

December 31. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Developmentally Disabled Fund	1998 and 1997
Senior Citizens Service Fund	1998 and 1997
Law Library Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Recorder User Fee Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Law Enforcement Block Grant Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Developmentally Disabled Board's and Senior Citizens Service Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue,* 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $383,186 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $175,408. As of December 31, 1998, $75,776 remains to be paid.

Supplementary Schedule

Schedule

LAWRENCE COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	N/A	$ 0	244
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-8155	117,028	116,558
	U.S. DEPARTMENT OF JUSTICE			
	Direct program:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	20,714	35,340
	Passed through:			
	State Department of Public Safety -			
16.6	Local Law Enforcement Block Grants Program	96-LBG-074	0	2,340
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	203	479
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-055-10	0	91,536
		BRO-055-13	50,925	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	0	6,139
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety -			
83.5	Emergency Management - State and Local Assistance	ERO172119	4,380	4,171
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.3	Immunization Grants	ERO146-8155	8,435	12,073
	Department of Social Services -			

93.6	Child Support Enforcement	N/A	62,783	57,790
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO146-8155	1,751	1,153
	Department of Social Services -			
93.7	Social Services Block Grant	ERO172119	29,349	16,678
::				
	Department of Health -			
93.9	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161	9,944	13,946
94.0	Maternal and Child Health Services Block Grant to the States	ERO146-8155	70,397	57,684
	Total Expenditures of Federal Awards		$ 375,909	416,131

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

LAWRENCE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Lawrence County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Lawrence County, Missouri

Compliance

We have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Lawrence County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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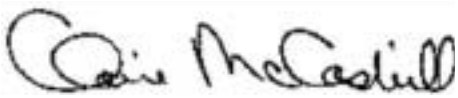
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Lawrence County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Lawrence County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 5, 1999 (fieldwork completion date)

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes __x__ no

Reportable condition identified that is not considered to be a material weakness? _____ yes __x__ none reported

Noncompliance material to the financial statements noted? _____ yes __x__ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes __x__ no

Reportable condition identified that is not considered to be a material weakness? _____ yes __x__ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes __x__ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.710	Public Safety Partnership and Community Policing (“Cops”) Grants
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LAWRENCE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

LAWRENCE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

LAWRENCE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 5, 1999. We also have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 5, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Lawrence County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but does not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in

accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. County Expenditures

A. The county did not always solicit bids nor was bid documentation always retained for various purchases. Examples of items purchased for which bid documentation could not be located are as follows:

Item Purchased	Cost
Gravel & base rock (1998 and 1997)	$121,947
Road sign repairs (1998 and 1997)	32,920
Recorder indexing equipment	19,476
Computer equipment	15,706
Emergency 911 communications equipment	13,186
Electrical and wiring services	8,905
Printing of assessment forms	6,630
Printer for assessor's office	5,502

The County Commission and the County Clerk indicated that bids were often solicited through telephone calls or the needed items were only available from one vendor in the area; however, documentation of these calls and sole source procurement situations were not maintained.

Section 50.660, RSMo Cumulative Supp. 1998, requires bids for all purchases of $4,500 or more from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

B. The Sheriff's Office uses reserve officers to transport prisoners to the state penitentiary. Drivers are paid 30 cents per mile to reimburse them for using their personal vehicles and are also paid $7 per hour for their time worked. Guards are paid 25 cents per mile to reimburse them for their time. The county records all amounts paid as mileage; however, amounts paid to drivers as an hourly wage and amounts paid to guards represent compensation and should be subject to payroll withholdings and reported on W-2 forms.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

B. Ensure amounts paid to reserve officers are properly reported on W-2 forms. Amended W-2 forms should be prepared for amounts paid to reserve officers in prior years.

AUDITEE'S RESPONSE

A. We have procedures to ensure the best price is obtained for purchases; however, we will work on retaining documentation of all bids or quotes obtained, and on retaining documentation of decisions made.

B. This has already been implemented.

2.	**Revenue Maximization**

During 1997, the county completed a federal bridge project which was administered by the Missouri Department of Transportation (MODOT). The county was to receive reimbursement of 80 percent of the approved total cost from MODOT on related bridge project expenditures. The county did not reconcile project expenditures to the amounts reimbursed by MODOT, and as a result, did not request nor receive reimbursement of $5,528 for which it was entitled.

To ensure revenues are maximized, the county should compare expenditures to the related reimbursements. In addition, the county should seek reimbursement for the $5,528 from MODOT.

WE RECOMMEND the County Commission develop procedures to ensure all federal grant reimbursements are requested and received, and seek reimbursement of the $5,528 from MODOT.

AUDITEE'S RESPONSE

We have already sought reimbursement for the $5,528. We believed we had procedures in place to monitor the billings and reimbursements; however, we will reexamine our procedures and make corrections as necessary.

3. Personnel Policies and Procedures

A. Time sheets or other records of actual time worked are not maintained by employees of the County Clerk, County Assessor, County Collector, Recorder of Deeds, and Prosecuting Attorney. As a result, the County Commission has no documentation of work performed to support some payroll expenditures.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

B. Records of vacation or sick leave earned, taken, and accumulated are not maintained for some county employees. Currently, each individual officeholder or department is responsible for maintaining leave records. The Health Center, Public Administrator, and Sheriff are the only county offices which maintain leave records.

Without centralized leave records, the County Commission cannot ensure that employees' annual and sick leave balances are accurate and that all employees are treated equitably. Centralized leave records will also aid in determining final pay for employees leaving county employment.

C. The county does not have a comprehensive employee manual. Such a manual should detail personnel matters, such as vacation and sick leave policies, overtime and compensatory time policies, employee duties and responsibilities, lines of authority, grievance procedures, and any other items of interest to employees. Currently, individual officeholders or departments provide their employees with procedures which vary from office to office.

A comprehensive employee manual which summarizes both written and unwritten policies can benefit both county officials and employees by providing a basic understanding between management and employees regarding each other's rights and responsibilities. It can also help ensure that management's policies are fairly and consistently applied to all county employees.

D. The Health Center and the Prosecuting Attorney have written policies that prohibit employees from carrying any compensatory time balances for more than 60 days. Any compensatory time accrued and carried for more than 60 days is lost. In addition, the Prosecuting Attorney’s policy prohibits employees from accruing more than eight hours of compensatory time. The Prosecuting Attorney indicated he does not follow this policy; however, there has been no formal amendments to change his policy. These policies may not comply with the FLSA.

The County Commission should review the policies of the Prosecuting Attorney and Health Center, and adopt overtime and compensatory time policies which comply with the FLSA.

Similar conditions were noted in our prior three reports and the County Commission responded that they would implement these recommendations; however, no action has been taken to implement these recommendations.

WE AGAIN RECOMMEND the County Commission:

A. Require all county employees to complete time sheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

B. Maintain centralized leave records for all county employees.

C. Develop a comprehensive employee manual.

D. Ensure overtime and compensatory time policies adopted by the Prosecuting Attorney and Health Center comply with the FLSA.

AUDITEE'S RESPONSE

We see a need for all of these items and will try to implement these recommendations. Time sheets will be required for all employees effective July 1, 1999. In addition, we are working on developing an employee manual.

4. County Officials' Compensation

A. The county salary commission met on November 1, 1995, and approved the following:

> "Salaries shall be adjusted each year on the official's incumbency for any change in the last applicable decennial census or any change in the last completed assessment that would affect the maximum allowable compensation for that office."

Adjustments were made to applicable officials' salaries on their incumbency, except for the former County Collector. His term began on March 1, 1995; however, adjustments were made to his salary on January 1, 1997 and 1998. In addition, the county made a retroactive adjustment to the County Assessor's salary as of January 1, 1996, to be consistent with the other officials; however, the County Assessor's term began on September 1, 1993.

Based on the wording of the salary commission minutes noted above, it would appear that annual salary adjustments on the official's incumbency would allow for adjustments on March 1 for the County Collector, September 1 for the County Assessor, and January 1 for the remaining officials. The County Commission should review this situation with the Prosecuting Attorney and determine whether the proper adjustments were made to the applicable officials' salaries.

B. In December 1996, the former County Treasurer received a salary payment of $500 which was processed manually outside the normal payroll process and was not recorded on the payroll register (although it was reported on the applicable W-2 form). The County Clerk and former County Treasurer indicated the payment was to correct the 1996 salary but could not provide documentation of their calculation. Based on the salary commission minutes, it appears the former County Treasurer was paid the correct salary in 1996 and the $500 appears to be an overpayment. In addition, it appears the former County Treasurer's salary for 1997 and 1998 was not computed in accordance with salary commission minutes, and he may have received a total of $1,230 in salary overpayments for 1996 through 1998.

The County Commission should review the salary payments and calculations with the Prosecuting Attorney and determine whether the former County Treasurer was overpaid, and seek reimbursement of any overpayments.

C. The Public Administrator receives fees from the various cases which are assigned to him. In addition, Section 473.739, RSMo Cumulative Supp. 1998, states the Public Administrator shall be paid an annual salary of $4,000 if his fees do not exceed $25,000.

During the year ended December 31, 1998, the Public Administrator received fees totaling $25,342, and the county paid him a salary of $4,000 in January 1999 as compensation. Because the Public Administrator received more than $25,000 in fees during 1998, it is questionable whether any additional salary was allowable for that year.

WE RECOMMEND the County Commission review these matters with the various officials and Prosecuting Attorney to ensure the proper amounts were paid to the various officials and seek reimbursement for any overpayments.

AUDITEE'S RESPONSE

We will review these matters with the Prosecuting Attorney and take appropriate action.

5. Property Tax System and Computer Controls

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The County Clerk enters the tax rates and extends and prints the tax books. In addition to the property tax computer system, the County Clerk maintains a computer system for preparing checks and maintaining receipt and disbursement information. In our review of controls relating to the two computer systems, we noted the following concerns:

A. The County Assessor is responsible for entering the assessed valuation data from the assessment sheets. This data is to be completed by May 31 of each year. In addition, the County Assessor has access to the assessment data in the property tax system during the meetings of the county Board of Equalization so he can change assessed valuations when approved by the board. After the meetings of the Board of Equalization are completed, the County Assessor has no statutory authority to make changes to the assessment data. However, the County Assessor and his staff are allowed access to the assessment data at all times. As a result, there is an increased risk that unauthorized changes can be made to the assessment data.

B. Controls over property tax additions and abatements are not adequate. The County Collector makes manual changes to the property tax records for additions and abatements occurring throughout the year, while the County Assessor makes these changes to the computer property tax data files. The County Collector provides monthly totals of abatements and additions to the County Commission for their approval. However, the manual changes to the tax books are not compared to the actual changes in the tax data files or to amounts reflected on the County Collector's annual settlement by someone independent of tax collection duties.

   Since the County Collector is responsible for collecting the taxes, this procedure for making changes, without independent and subsequent review of actual changes made, weakens controls over the collection of taxes.

   Section 137.260, RSMo 1994, requires the tax books only be changed by the County Clerk under order of the County Commission. Controls should be established so that the County Clerk periodically reconciles all additions and abatements to changes made to the property tax system and charge these amounts to the County Collector.

C. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures would be verified by the County Clerk from aggregate abstracts, court orders, monthly statements of collections and the tax books. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector is complete and accurate.

Section 51.150(2), RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can be used by the County Commission to verify the County Collector's annual settlements.

D. The county does not have an adequate password system or procedures to restrict access to the computer systems. Passwords are not kept confidential and are not changed on a regular basis. In addition, user identification codes (IDs) are not used.

User IDs should identify the employee signing on to the computer system and should restrict each employee's access to only his or her assigned responsibilities. Confidential passwords should be used to authenticate these claimed identities by helping to ensure the person using the ID has the authority to use it. Since user IDs are not needed to gain access to the system, the county does not have an effective method to verify the identity of those using the system. In addition, the sharing of passwords can significantly reduce the effectiveness of the security because confidentially is lost. As a result, there is an increased risk of unauthorized changes to the computer files.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission work with the applicable county officials to:

A. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.

B. Establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax records and charge these amounts to the County Collector.

C. Ensure the County Clerk maintains an account book with the County Collector.

D. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.

AUDITEE'S RESPONSE

A. We have discussed this with the Assessor and will work toward complying with this recommendation.

B. We will discuss this matter with the applicable officials and attempt to implement this recommendation.

C. We are looking into developing a computerized account book.
D. We will check with our programmer and determine whether this can be implemented.

6. General Fixed Asset Records and Procedures

The county maintains manual general fixed asset records; however, the records have not been updated for property acquired or disposed of since June 1997. In addition, the County Clerk does not perform physical inventories of assets and compare the results to the property records.

Also, most fixed assets are not properly numbered, tagged, or otherwise identified as county owned property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

Adequate general fixed asset records and procedures are necessary to secure better internal control over county assets and provide a basis for determining proper insurance coverage.

WE RECOMMEND the County Clerk maintain general fixed asset records on a current basis, periodically reconcile these records to property purchases and deletions, and conduct annual physical inventories of all county-owned property. In addition, property control tags should be affixed on all fixed assets immediately upon receipt.

AUDITEE'S RESPONSE

We are in the process of computerizing the records and are about 75 percent complete with this process.

7. County Treasurer's Procedures

A. The county has not established procedures to monitor collateral securities pledged by the county's depository bank, and as a result, the county's funds were under-collateralized by over $2,600,000 for a few days in January 1998.

Section 110.020, RSMo 1994, requires the value of securities pledged at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

B. Interest earned on the County Treasurer's general checking account is not allocated properly. Various funds, including schools, special road and bridge, assessment, and

prosecuting attorney bad check, are combined into the checking account; however, earnings on this account are credited to the General Revenue Fund.
Section 110.150, RSMo 1994, and Attorney General's Opinion No. 126, 1981 to Antonio; No. 148, 1980 to Antonio; No. 108, 1981 to Busker; and No. 40, 1965 to Owensby, provide the interest on school funds shall be placed to the credit of those funds, the interest on county hospital funds and hospital district funds to the credit of those funds, the interest on the county health center funds to the credit of those funds, the interest on the county library fund to the credit of that fund, the interest on the Special Road and Bridge Fund to the credit of that fund, the interest on the Assessment Fund to the credit of that fund, and all other interest to the credit of the county General Revenue Fund. In addition, Section 570.120, RSMo. 1994, requires that the Prosecuting Attorney Bad Check Fund be maintained by the County Treasurer in an interest-bearing account.

WE RECOMMEND the County Treasurer:

A. Work with other applicable officials and establish monitoring procedures to ensure the depositary bank pledges adequate collateral securities at all times.

B. Distribute all interest earned in accordance with statutory provisions and opinions of the Attorney General.

AUDITEE'S RESPONSE

A. We have a plan where the bank will provide the Collector and Treasurer a monthly print-out of all securities pledged and the total of all county account balances. Copies of releases will be provided to the Collector and Treasurer as they occur.

B. At this time, we plan to follow current procedures, but will consider distributing interest to the various funds in the future.

8. Health Center's Controls and Procedures

Employees of the Health Center handle receipts for donations, sanitation permits, health inspections, and birth and death certificates of approximately $64,000 annually. We noted the following concerns regarding receipts:

A. Monies received for death and birth certificates, sanitation permits, and health inspections are recorded on a daily receipt log. In addition, separate logs documenting the number of birth and death certificates, sanitation permits, and health inspections issued are maintained. The number of certificates, permits, and inspections issued per the logs did not always agree with the corresponding receipts on the daily receipt log. In addition, donation receipts are not recorded on the daily

receipt log and the method of payment received (cash, check, money order, etc.) is not always indicated on the receipt log.

To ensure receipts are accounted for properly and transmitted intact, all receipts should be recorded on the receipt log and the method of payments received should be recorded and the composition of recorded receipts should be reconciled to the composition of amounts transmitted to the County Treasurer. In addition, the number of certificates, permits, and inspections issued should be reconciled to monies received.

B. Receipts are not always transmitted to the County Treasurer intact on a timely basis. Receipts are transmitted approximately once per week, and the Health Center retains small cash amounts from transmittals to provide change. As a result, the change fund is not maintained at a set amount. In addition, receipts are kept in a file room accessible to all employees.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly transmitted, all receipts should be maintained in a secure location, receipts should be transmitted intact on a daily basis or when accumulated receipts exceed $100, and the change fund should be maintained at a constant amount.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission require the Health Center to:

A. Record all receipts, including method of payment, on the receipt log and reconcile the composition of receipts to the composition of transmittals to the County Treasurer. In addition, the number of certificates, permits, and inspections issued should be reconciled to applicable receipts.

B. Maintain receipts in a secure location, transmit all monies intact to the County Treasurer on a timely basis, and maintain the change fund at a constant amount.

AUDITEE'S RESPONSE

The County Commission indicated they will discuss these matters with the health center administrator and comply with the recommendations.

The health center administrator provided the following response:

A. This recommendation has been implemented.

B. We will try to deposit more timely, and we will establish the change fund at a set amount.

9. County Collector's Controls and Procedures

A. The current and former County Collectors perform monthly reconciliations of the bank account but do not reconcile the bank balance to existing liabilities. We compared the reconciled bank balance to known liabilities at February 28, 1999, and noted that liabilities exceeded the reconciled bank balance by $117, as follows:

Reconciled bank balance	$ 236,396
NSF checks	7,247
February collections distributed in March	(231,473)
Accumulated interest	(12,053)
Unidentified balance	$ 117

In addition, the former County Collector did not distribute interest earned on the bank account on a timely basis and did not attempt to collect on insufficient funds (NSF) checks on a timely basis. The current and former County Collectors indicated two-years' accumulation of interest is maintained to cover NSF checks. The current County Collector has performed follow-up procedures and has collected on the majority of these NSF checks.

Adequate reconciliations are necessary to ensure receipts and disbursements are properly accounted for and the cash balance agrees to liabilities and other reconciling items. In addition, timely disposition of interest income and NSF checks reduces the amount of reconciling items and helps ensure proper accounting for these items.

B. Although the County Collector's office has procedures to indicate the method of payment received on the tax receipts, the method of payment was not always indicated on some receipts. In addition, the former County Collector and his employees routinely cashed personal checks from tax receipts for themselves, friends, and other courthouse employees. Cash refunds were also made for overpayments of taxes and licenses paid by check.

To ensure receipts are deposited intact, the method of payment should be indicated on all tax receipts and the composition of receipts should be reconciled to the composition of the bank deposits. In addition, personal checks should not be cashed with official tax receipts and refunds should be made by check.

C. Receipts are not always deposited on a timely basis. During October through January of each year, deposits are made daily; however, at other times, deposits are generally made once or twice a week. For instance on February 25, 1999, $46,228 was deposited which included some receipts held as long as seven days. To adequately safeguard cash receipts and reduce the potential for loss, theft, or misuse of funds,

deposits should be made daily or when accumulated receipts exceed $100. In addition, timely deposit of monies would increase interest income.

D. The former County Collector accepted partial payments on property taxes. These monies are held in the collector's vault until the taxes are paid in full. The former County Collector indicated that if such payments were made by check, he deposited the check and withheld a corresponding amount of cash from tax collection monies and retained it in the vault until the entire tax amount is paid in full. At February 8, 1999, partial payments totaling $2,282 were held in cash.

No ledger is maintained to account for the partial payments received. Although dates and amounts of payments are noted on the envelopes where the money is kept, there is no record showing the cumulative amount of monies on hand, and the corresponding amounts still due. This weakness, and the fact that such monies are held in cash, greatly increases the possibility of loss or misuse of such monies without detection.

E. State law requires five percent commission to be added on all delinquent and back tax payments. Two-fifths of the amount collected is paid into the General Revenue Fund and three-fifths into the County Employees' Retirement Fund (CERF). The former County Collector did not believe the five percent additional commission was being calculated correctly by his computer system, so he made manual calculations on both current and delinquent taxes and adjusted distributions of commissions during July 1997 through August 1998 by increasing the amounts distributed to the CERF and decreasing the amounts distributed to the General Revenue Fund. He discontinued this because he realized the commission was being calculated correctly; however, he did not adjust distributions to reverse the effects of the manual adjustments. The manual adjustments resulted in overpayments of approximately $19,471 to the CERF. The current County Collector should adjust subsequent distributions made to the CERF and distribute these monies to the General Revenue Fund to correct this error.

Conditions similar to Parts B. & C. were noted in our prior report.

WE RECOMMEND the County Collector:

A. Reconcile the amounts in the bank account to related liabilities and other reconciling items on a monthly basis. In addition, interest income should be distributed on a timely basis and follow-up on NSF checks should be performed on a timely basis.

B. Indicate the method of payment on each tax statement issued and reconcile total cash, checks, and money orders received to bank deposits. In addition, the County Collector should discontinue the practice of cashing personal checks from tax receipts, and make refunds by check.

C. Deposit all receipts daily or when accumulated receipts exceed $100.

D. Deposit partial payments into the bank and maintain records of total partial payments held in the bank.

E. Withhold $19,471 of future distributions from the CERF and distribute this amount to the General Revenue Fund.

AUDITEE'S RESPONSE

The current County Collector provided the following response:

A. We currently reconcile our account monthly. We have collected all of the NSF checks and plan to monitor interest balances and distribute interest at least annually.

B. We are indicating method of payment received. Our current practice is to cash small checks for county employees only as a convenience to them.

C. Our current practice is to deposit twice a week and we plan to continue this practice until we see a need for daily deposits. We plan to deposit daily when we start collecting current taxes.

D. We have opened a partial payment bank account and have deposited all of the partial payments. We have also developed a ledger system to keep track of the partial payments.

E. We have discussed this with applicable employees of the retirement system and they indicated they will refund the overpayment to the county.

10. Recorder of Deeds' Controls and Procedures

A. Receipts are not always deposited intact. Employees are allowed to cash personal checks from official receipts. To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are accounted for, all receipts should be deposited intact and employees should not be allowed to cash personal checks from official receipts.

B. All receipts are recorded in a daily receipt book which is reconciled to total bank deposits. When the related document is filed and recorded, the document and fee are recorded on an abstract sheet. The abstract sheet is totaled each month and the fees are disbursed to the applicable parties. In most instances, the document and fee are recorded in the abstract book at the same time the fee is received. However marriage licenses are not recorded in the abstract book until the license is returned. In some cases, the marriage license is never returned and the marriage license fee remains in the bank account.

Total receipts are not reconciled to total fees abstracted and disbursed, and listings of marriage license fees remaining in the bank account are not prepared. In January 1999, the former Recorder of Deeds distributed $2,600 to the County Treasurer which remained in his bank account but could not be identified.

Monthly reconciliations between total receipts, total fees abstracted, and undistributed marriage license fees would provide assurance that the records are in balance and that sufficient cash is available for fees which will be distributed at a later date.

C. The Recorder of Deeds maintains custody of the Recorder User Fee Fund. Section 59.319, RSMo 1994, requires the Recorder User Fee Fund to be maintained by the County Treasurer.

In addition, the former Recorder of Deeds paid approximately $24,000 during 1998 from this fund for computer indexing equipment and software. Bids were not solicited for this purchase. Section 50.660, RSMo Cumulative Supp. 1998, requires bids for all purchases of $4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Recorder of Deeds:

A. Deposit monies intact and discontinue the practice of allowing employees to cash personal checks from official receipts.

B. Perform monthly reconciliations of total receipts and total fees abstracted, and prepare monthly listings of undistributed marriage license fees to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine the proper disposition.

C. Turn custody of the Recorder User Fee Fund to the County Treasurer and solicit bids for all purchases as required by state law.

AUDITEE'S RESPONSE

A. Cashing personal checks will no longer be allowed.

B. We will review this and try to develop a system to implement this recommendation.

C. We plan to follow our current procedures; however, we will try to obtain bids for applicable expenditures in the future.

11. Sheriff's Controls and Procedures

A. One employee in the Sheriff's office is responsible for recording receipts, depositing receipts, preparing and signing checks, and maintaining the accounting records. To safeguard against loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps provide this assurance. This could be achieved by designating an employee who does not have access to cash receipts to perform reconciliations of accounting records to bank statements. At a minimum, there should be a review made and documented by a supervisor or by someone independent of these duties.

B. Civil process fees are not recorded and deposited until the related process papers are served. Most fees are received by check, and the Sheriff's bookkeeper indicated the checks are returned to the payor if papers cannot be served. A cash count on February 1, 1999 noted cash and checks for civil process fees totaling $574 that had not been recorded.

   To ensure civil process fees are accounted for properly, receipt slips should be issued immediately upon receipt and the monies deposited into the Sheriff's bank account. If it is later determined that the related process papers cannot be served, refund checks should be issued.

C. Receipts are not deposited on a timely basis. Deposits are made approximately once a week and average from $1,500 to $2,000. In addition, checks are not restrictively endorsed when received. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100, and checks should be restrictively endorsed immediately upon receipt.

Conditions similar to Parts A. and C. were noted in our prior report.

WE RECOMMEND the Sheriff:

A. Segregate the duties of receiving, recording, depositing, and reconciling. If segregation of duties cannot be achieved, at a minimum the accounting records should be periodically reviewed by a supervisor or someone independent of those duties.

B. Issue receipt slips for civil process fees immediately upon receipt and deposit them in the bank account. Any refunds should be made by check.

C. Restrictively endorse checks as received and deposit monies daily or when accumulated receipts exceeds $100.

AUDITEE'S RESPONSE

A. I will review the records monthly.

B. We will follow this recommendation.

C. We will follow this recommendation and make deposits when receipts exceed $100.

12. Public Administrator's Controls and Procedures

A. The value of some assets was not included in some settlement balances or otherwise reported. Examples include real estate valued at $30,000, and a vehicle valued at approximately $10,000. Also, another vehicle purchased in 1996, valued at $5,900, was not listed on the settlement until 1998. The settlements filed by the Public Administrator should be complete and accurate reports of the applicable estates' assets, receipts, and disbursements.

B. The Public Administrator did not always file annual settlements by the required due dates. The Probate Division sends notices to the Public Administrator when the settlements are due; however, some annual settlements were filed between two and seven months after the due date.

Section 473.540, RSMo 1994, states that every personal representative shall file with the court an annual statement of accounts for settlement. Timely, accurate and complete settlements are necessary for the court to properly oversee the administration of these estates.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Public Administrator:

A. File settlements which are accurate and include all assets of the respective estates.

B. File annual settlements on a timely basis as required by state law.

AUDITEE'S RESPONSE

A. I agree with the recommendation.

B. I agree with the recommendation and have started a new procedure that the attorneys are to complete the settlements within two weeks of receiving them, or a new attorney will be appointed.

This report is intended for the information of the management of Lawrence County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

LAWRENCE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Lawrence County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. County Expenditures

   A. The County Commission obtained two loans payable over a two-year period. These loans may have constituted long-term debt and the County Commission had no legal authority to enter into such agreements.

   B. Bids were not always solicited nor was bid documentation always retained for various purchases made by the county.

   C. The county did not issue Forms 1099-MISC as required.

   D. Reserve officers were paid fees to serve as guards which represented compensation which was not subjected to payroll withholdings and reported on W-2 forms.

   E. A reserve officer was paid $300 per month in mileage for patrolling and answering disturbance calls in his area. Although he used his personal vehicle, he did not prepare reports of mileage incurred. In addition, these payments were not reported as compensation on W-2 forms.

   Recommendation:

   The County Commission:

   A. Ensure monies are borrowed in accordance with the provisions of state law.

   B. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

   C. Ensure Forms 1099-MISC are filed as required by the Internal Revenue Code, and file amended forms for payments made in prior years.

   D. Ensure amounts paid to reserve officers are properly reported on W-2 forms. Amended W-2 forms should be prepared for amounts paid to reserve officers in prior years.

   E. Obtain monthly mileage reports to support mileage paid to the reserve officer and report undocumented payments on W-2 forms. Amended W-2 forms should be prepared for undocumented expense payments made in prior years.

Status:

A, C,
& E. Implemented.

B&D. Not implemented. See MAR No. 1.

2. Distributions to Special Road Districts

The County Commission distributed road funds from the Special Road and Bridge Fund to the special road districts without written agreements. In addition, the county did not monitor the special road districts' use of these funds.

Recommendation:

The County Commission obtain written agreements with each special road district and establish a system to monitor the special road districts' expenditures of county monies, including capital improvement sales tax monies.

Status:

Implemented.

3. Budgets and Published Financial Statements

A. The County Commission annually estimated to spend all available cash resources of the Special Road and Bridge Fund, resulting in significant over-budgeting of disbursements and unreasonable estimates of ending cash balances.

B. As a result of a budget amendment, the County Commission approved a budget deficit for Common #2 Road District Fund for the year ended December 31, 1996.

C. The county's annual published financial statements did not include the financial activity of several county funds.

Recommendation:

The County Commission:

A. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that reasonable estimates of the county's financial position are presented in the Special Road and Bridge Fund budgets.

B. Discontinue deficit budgeting.

C. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.

Status:

A&B. Implemented.

C. Not implemented. Six funds held outside the county treasury were not included in the 1997 or 1998 published financial statements. Although not repeated in the current report, our recommendation remains as stated above.

4. Personnel Policies and Procedures

A. Time sheets or other records of actual time worked were not maintained by employees of the County Clerk, County Assessor, County Collector, Recorder of Deeds, and Prosecuting Attorney.

B. Records of vacation or sick leave earned, taken, and accumulated were not maintained for some county employees.

C. The county did not have a comprehensive employee manual.

D. The Health Center and the Prosecuting Attorney had overtime and compensatory time policies that did not appear to comply with the Fair Labor Standards Act (FLSA).

E. The county did not have a drug-free workplace policy or awareness program for its employees as required by federal guidelines.

Recommendation:

The County Commission:

A. Require all county employees to complete time sheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

B. Maintain centralized leave records for all county employees.

C. Develop a comprehensive employee manual.

D. Ensure overtime and compensatory time policies adopted by the Prosecuting Attorney and Health Center comply with the FLSA.

E. Develop a drug-free workplace policy and an awareness program in compliance with federal requirements.

Status:

A-D. Not implemented. See MAR No. 3.

E. Implemented.

5. Property Tax System and Computer Controls

A. The County Assessor and his staff were allowed access to the assessment data at times when they had no statutory authority to make changes to the assessment data.

B. The County Collector made manual changes to the property tax records for additions and abatements; however, there was no independent comparison of these to the changes in the tax data files or to the amounts reflected on the County Collector's annual settlements.

C. The County Clerk did not maintain an account book with the County Collector.

D. The county did not have an adequate password system or procedures to restrict access to the computer systems.

Recommendation:

The County Commission work with the applicable county officials to:

A. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.

B. Establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax records and charge these amounts to the County Collector.

C. Ensure the County Clerk maintains an account book with the County Collector.

D. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.

Status:

A-D. Not implemented. See MAR No. 5.

6. Health Center's Controls

A. Receipts were not transmitted to the County Treasurer intact, and employees were allowed to cash personal checks from official receipts. Receipts were kept in an area accessible to all employees.

B. The method of payment received was not always indicated on the receipt log.

C. Checks and money orders were not restrictively endorsed immediately upon receipt.

Recommendation:

The County Commission require the Health Center to:

A. Maintain receipts in a secure location and transmit all monies intact to the County Treasurer. In addition, the practice of cashing personal checks from official receipts should be discontinued.

B. Record the method of payment for all receipts and reconcile the composition of receipts to the composition of transmittals to the County Treasurer.

C. Restrictively endorse checks and money orders immediately upon receipt.

Status:

A. Partially implemented. The Health Center discontinued the practice of cashing employee's personal checks; however, receipts are not transmitted intact nor maintained in a secure location. See MAR No. 8.

B Not implemented. See MAR No. 8.

C. Implemented.

7. County Collector's Controls and Procedures

A. Tax statements issued by the County Collector did not indicate the method of payment received.

B. The County Collector and his employees routinely cashed personal checks from tax receipts.

C. Receipts were not always deposited on a timely basis.

Recommendation:

The County Collector:

A. Indicate the method of payment on each tax statement issued and reconcile total cash, checks, and money orders received to bank deposits.

B. Discontinue the practice of cashing personal checks from tax receipts.

C. Deposit all receipts daily or when accumulated receipts exceed $100.

Status:

A. Partially implemented. Procedures exist to record the method of payment on the tax statements; however, method of payment is not always indicated and the composition of receipts is not reconciled to the composition of bank deposits. See MAR No. 9.

B&C. Not implemented. See MAR No. 9.

8. County Assessor's Controls and Procedures

A. Rediform receipt slips were issued only when requested by the payor, and the receipt slips did not always indicate the method of payments received. The County Assessor did not maintain summary records of receipts nor ensure all receipts were transmitted to the County Treasurer.

B. Some receipt slips could not be located.

C. The County Assessor did not file monthly reports of fees collected.

Recommendation:

The County Assessor:

A. Adopt accounting procedures and records to ensure all receipts are recorded, including the method of payments received, and all amounts transmitted to the County Treasurer agree to the accounting records.

B. Retain all accounting records.

C. Prepare monthly reports of fees as required by state law.

Status:

A&B. Implemented.

C. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

9. Sheriff's Accounting Controls and Procedures

A. Receipts were not always recorded and deposited immediately upon receipt.

B. One employee was responsible for recording and depositing receipts, preparing and signing checks, and maintaining the accounting records.

C. The Sheriff maintained a Prisoner Seizure Account which appeared to have partial payments and overpayments on board bills which should have been distributed.

Recommendation:

The Sheriff:

A. Issue receipt slips immediately upon receipt for all monies and deposit all monies intact daily or when accumulated receipts exceed $100.

B. Segregate the duties of receiving, recording, depositing, and reconciling. If segregation of duties cannot be achieved, at a minimum the accounting records should be periodically reviewed by a supervisor or someone independent of those duties.

C. Attempt to identify the balance remaining in the Prisoner Seizure Account, distribute amounts to the appropriate parties, and close the account.

Status:

A&B. Not implemented. See MAR No. 11.

C. Implemented.

10. Recorder of Deeds' Controls and Procedures

A. Receipts were not always deposited intact. Employees were allowed to cash personal checks from official receipts.

B. The Recorder of Deeds did not reconcile total receipts to total fees abstracted and disbursed, nor did he prepare a listing of marriage license fees remaining in the bank account.

C. The Recorder of Deeds served as custodian of the Recorder User Fee Fund although there was no statutory authority to allow this.

Recommendation:

The Recorder of Deeds:

A. Deposit monies intact and discontinue the practice of allowing employees to cash personal checks from official receipts.

B. Perform monthly reconciliations of total receipts and total fees abstracted, and prepare monthly listings of undistributed marriage license fees to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine the proper disposition.

C. Turn custody of the Recorder User Fee Fund to the County Treasurer, as required by state law.

Status:

A-C. Not implemented. See MAR No. 10.

11. Public Administrator's Controls and Procedures

A. Supporting documentation was not available for some expenditures.

B. Voided checks were not retained for some estate files. In addition, checks were sometimes signed in advance so bills could be paid in the Public Administrator's absence.

C. The cash value of burial policies was not included in some settlement balances or otherwise reported.

D. The Public Administrator did not always file annual settlements by the due date.

Recommendation:

The Public Administrator:

A. Retain supporting documentation for all expenditures.

B. Deface and retain all voided checks and discontinue signing checks in advance.

C. File settlements which are accurate and include all assets of the respective estates.

D. File annual settlements on a timely basis as required by state law.

Status:

A&B. Implemented.

C&D. Not implemented. See MAR No. 12.

12. Senior Citizens Service Board

A. The budgets prepared by the board did not include estimated revenues or projected ending fund balances. In addition, the budgets were not filed with the County Clerk and did not include actual revenues and expenditures for the two preceding years.

B. A member of the board was appointed treasurer and served as custodian of the Senior Citizens Service Fund. There appeared to be no statutory authority to allow this.

C. Collateral securities were not pledged by the board's depositary bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

Recommendation:

The Senior Citizens Service Board:

A. Prepare annual budgets as required by state law and submit a copy to the County Clerk.

B. Turn over custody of the Senior Citizens Service Fund to the County Treasurer.

C. Ensure adequate collateral securities are pledged for all deposits in excess of FDIC coverage, if the board maintains custody of its funds.

Status:

A&C. Implemented.

B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LAWRENCE COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Lawrence was named after James Lawrence, a naval hero of the War of 1812. Lawrence County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Mount Vernon.

Lawrence County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Lawrence County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 282,605	7	264,533	6
Sales taxes	1,915,181	43	1,874,932	43
Federal and state aid	1,614,364	36	1,575,226	37
Fees, interest, and other	635,813	14	599,313	14
Total	$ 4,447,963	100	4,314,004	100

The following chart shows how Lawrence County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 932,270	21	838,561	21
Public safety	1,130,802	26	1,075,181	26
Health and welfare	308,916	7	291,984	7
Highways and roads	1,997,897	46	1,878,598	46
Total	$ 4,369,885	100	4,084,324	100

The county maintains approximately 118 county bridges and 1,067 miles of county roads.

The county's population was 24,545 in 1970 and 30,236 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
			(in millions)		
Real estate	$ 163.2	157.1	91.1	35.3	23.4
Personal property	64.3	59.2	23.2	13.9	5.3
Railroad and utilities	28.6	28.8	16.3	15.6	8.9
Total	$ 256.1	245.1	130.6	64.8	37.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Lawrence County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ 0.09	0.1
Special Road and Bridge Fund*	0.07	0.07
Developmentally Disabled Fund	0.07	0.07
Senior Citizens Service Fund	0.05	0.05

* The county has thirteen special and two common road districts that receive 80 percent of the tax collections from property within the districts, and 20 percent is retained in the County Special Road and Bridge Fund. The two common road districts and most special road districts have additional tax levies which are distributed entirely to those districts.

::

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 77,442	75,453
General Revenue Fund	235,773	263,183
Road funds	661,901	649,266
Assessment Fund	104,716	99,037
Developmentally Disabled Fund	180,436	175,838
Senior Citizens Service Fund	125,078	121,810
Schools	7,813,034	7,328,675
Library district	400,935	390,932
Nursing home district	283,517	277,380
Fire district	11,495	11,232
Ambulance districts	184,259	167,809
Junior college	2,892	2,389
Cities	216,342	175,774
County Clerk	291	291
County Employees' Retirement	65,320	52,313
Commissions and fees:		
General Revenue Fund	155,669	160,292
County Collector	2,432	2,295
Total	$ 10,521,532	9,953,969

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	94.1 %	94.1 %
Personal property	89.7	91.6
Railroad and utilities	98.0	100.0

Lawrence County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	50 %
Road capital improvements		0.005	1999	None

::

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			

Joe Ruscha, Presiding Commissioner	$	22,000	22,000
J. Everett Ament, Associate Commissioner		22,000	22,000
Gary Robb, Associate Commissioner			18,333
Jim Stearns, Associate Commissioner		22,000	2,139
Donald (Don) Washam, Recorder of Deeds		31,000	31,000
Bob Bartelsmeyer, County Clerk		33,500	33,500
Robert E. George, Prosecuting Attorney		39,000	39,000
Doug Seneker, Sheriff		39,000	39,000
William (Bill) Hubbard, County Treasurer		22,990	22,990
Don C. Lakin, County Coroner		8,000	8,000
Austin Barrett, Public Administrator *		29,342	28,537
Carol Young, County Collector **,			
year ended February 28,	36,265	36,045	
David Tunnell, County Assessor ***,			
year ended August 31,		42,400	33,500
Sam Goodman, County Surveyor ****		N/A	N/A

* Includes fees received from probate cases.
** Includes $2,432 and $2,295, respectively, of commissions earned for collecting city property taxes.
*** Includes $900 annual compensation received from the state.
**** Compensation on a fee basis.

State-Paid Officials:		
Cindy Faucett, Circuit Clerk	42,185	40,176
Scott S. Sifferman, Associate Circuit Judge	85,158	81,792
Samuel C. Jones, Associate Circuit Judge	85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk	0	5
Recorder of Deeds	4	0
County Clerk	4	0
Prosecuting Attorney	9	0
Sheriff	33	0
County Coroner*	1	0
Public Administrator	1	0
County Collector	3	0
County Assessor	4	0
Associate Division**	2	5
Probate Division	0	1
Road and Bridge	6	0
Health Center	12	0
Custodian	1	0
Civil Defense	1	0
Emergency 911	5	0
Total	86	11

* Includes one part-time employee.
** Includes two part-time county employees and one part-time state employee

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Lawrence County's share of the Thirty-Ninth Judicial Circuit's expenses is 39.34 percent.

*****

AUDIT REPORT

MARION COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-55
August 18, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Marion, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Marion County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

< Several prior recommendations had not been implemented and weaknesses were again noted with the accounting controls and procedures of the Circuit Clerk, District 2 (Hannibal). Formal bank reconciliations were not prepared on a timely basis for the child support account, numerous checks were outstanding for more than a year in the fee account and child support account, and an open items listing was not prepared on a timely basis for the fee account. The Circuit Clerk's bank accounts were not always adequately covered by collateral securities.

< The amount of collateral securities pledged by the county's depositary banks in January 1999 and January 1998, was insufficient by approximately $2.2 and $1.5 million, respectively, to cover monies in the custody of the County Treasurer and County Collector. The county needs to better monitor securities pledged to protect county bank balances.

The report also included recommendations for improvements related to bidding procedures, preparing county budgets, verification of back tax books, contractual agreements, and personnel policies and procedures.

Other comments in the report related to the Emergency Service (E-911) Board's practice of paying bonuses and the failure of the Associate Circuit Division, District 2 (Hannibal) to reconcile open items to the cash balance.

<u>Copies of the audit are available upon request</u>.

MARION COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Marion County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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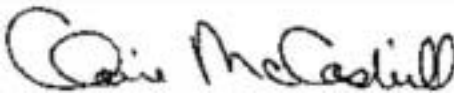
Marion County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Marion County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the special-purpose financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Marion County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Marion County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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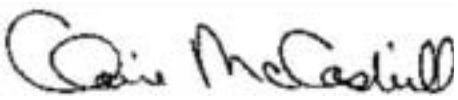
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

MARION COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	257,039	3,035,275	2,995,516	296,798
Special Road and Bridge		227	1,085,683	1,054,665	31,245
Assessment		-67,971	254,589	240,550	-53,932
Law Enforcement Training		19,412	11,062	5,573	24,901
Prosecuting Attorney Training		0	1,910	912	998
Health Center		215,843	1,350,955	1,387,679	179,119
Capital Improvements Sales Tax		483,147	1,470,407	1,526,706	426,848
Prosecuting Attorney Delinquent Tax		21,351	12,352	11,683	22,020
Emergency Telephone Service (E-911)		195,717	397,084	384,435	208,366
Recorder's Preservation		27,609	14,286	0	41,895
Drug Enforcement		14,483	9,023	8,857	14,649
Veterans Road		828,278	758,388	647,753	938,913
Local Use Tax		570,549	10,899	274,113	307,335
L.E.P.C.		18,595	7,766	3,593	22,768
Domestic Violence		1,329	3,165	4,493	1
Family Access Fund		0	25	0	25
Associate Circuit Division, District 1, Interest		2,486	939	1,338	2,087
Associate Circuit Division, District 2, Interest		2,345	1,070	1,321	2,094
Probate Division, District 2, Interest		1,377	70	61	1,386
Juvenile Justice Center		11,305	110,267	116,694	4,878
Law Library		46	8,952	8,999	-1
Circuit, District 1, Interest		17,690	2,074	826	18,938
Circuit, District 2, Interest		15,942	16,450	14,143	18,249
CDBG Commercial Flood Buyout		875	0	875	0
Total	$	2,637,674	8,562,691	8,690,785	2,509,580

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MARION COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 235,992	2,916,008	2,894,961	257,039
Special Road and Bridge	23,141	989,442	1,012,356	227
Assessment	-75,524	275,803	268,250	-67,971
Law Enforcement Training	16,209	7,867	4,664	19,412
Prosecuting Attorney Training	1,102	2,944	4,046	0
Health Center	188,842	1,641,592	1,614,591	215,843
Capital Improvements Sales Tax	105,483	1,617,228	1,239,564	483,147
Prosecuting Attorney Delinquent Tax	25,761	9,802	14,212	21,351
Emergency Telephone Service (E-911)	171,099	385,213	360,595	195,717
Recorder's Preservation	15,567	12,042	0	27,609
Drug Enforcement	23,804	11,383	20,704	14,483
Veterans Road	500,792	689,693	362,207	828,278
Local Use Tax	555,599	14,950	0	570,549
LEPC	0	21,396	2,801	18,595
EDA Cyanamid Road Project	0	657,132	657,132	0
Domestic Violence	52	3,557	2,280	1,329
Flood Buyout	2,110	33,773	35,883	0
CDBG Residential Flood Buy-out	359	137,628	137,987	0
Associate Circuit Division, District 1, Interest	1,440	1,066	20	2,486
Associate Circuit Division, District 2, Interest	2,033	1,305	993	2,345
Probate Division, District 2, Interest	1,313	64	0	1,377
Juvenile Justice Center	6,555	50,299	45,549	11,305
Law Library	203	7,793	7,950	46
Circuit, District 1, Interest	18,272	8,159	8,741	17,690
Circuit, District 2, Interest	19,373	14,590	18,021	15,942
CDBG Commercial Flood Buyout	0	9,817	8,942	875
Total	$ 1,839,577	9,520,546	8,722,449	2,637,674

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 47,500	61,072	13,572	8,000	13,347	5,347
Sales taxes	1,380,000	1,389,092	9,092	1,288,500	1,338,856	50,356
Intergovernmental	702,651	717,209	14,558	710,700	719,618	8,918
Charges for services	551,100	615,913	64,813	532,500	530,489	-2,011
Interest	10,000	13,190	3,190	15,000	8,909	-6,091
Other	131,459	178,859	47,400	95,760	125,927	30,167
Transfers in	59,940	59,940	0	30,100	178,862	148,762
Total Receipts	2,882,650	3,035,275	152,625	2,680,560	2,916,008	235,448
DISBURSEMENTS						
County Commission	78,750	75,959	2,791	77,500	72,826	4,674
County Clerk	122,968	120,315	2,653	120,000	115,736	4,264
Elections	98,500	98,162	338	43,500	48,336	-4,836
Buildings and grounds	150,000	113,795	36,205	113,400	115,344	-1,944
Employee fringe benefits	8,000	6,264	1,736	5,500	7,732	-2,232
County Treasurer	26,250	25,478	772	26,100	25,608	492
County Collector	170,000	158,427	11,573	165,525	159,197	6,328
Circuit Clerk I &Ex Officio Recorder of Deeds	73,500	67,519	5,981	70,500	61,866	8,634
Circuit Clerk II	23,950	13,433	10,517	20,250	13,329	6,921
Tenth Circuit Court	12,000	8,131	3,869	6,636	4,226	2,410
Associate Circuit and Probate Court	42,000	43,571	-1,571	44,100	33,383	10,717
Court administration	22,610	37,369	-14,759	21,500	17,512	3,988
Public Administrator	41,500	65,505	-24,005	27,750	31,266	-3,516
Sheriff	400,000	394,955	5,045	369,139	366,622	2,517
Jail	1,112,500	1,060,111	52,389	1,018,528	1,044,633	-26,105
Prosecuting Attorney	211,000	215,889	-4,889	173,200	174,435	-1,235
Juvenile Officer	184,882	199,918	-15,036	177,110	173,111	3,999
County Coroner	30,000	25,454	4,546	25,750	24,625	1,125
Other General County	136,500	110,986	25,514	214,160	180,330	33,830
Emergency Preparedness	8,250	8,181	69	8,195	8,194	1
Planning and Zoning	6,000	4,623	1,377	4,500	4,893	-393
Public health and welfare services	4,150	4,010	140	4,250	3,900	350
Transfers out	33,499	33,499	0	21,552	93,762	-72,210
Emergency Fund	85,750	0	85,750	80,000	0	80,000
Assessor	0	16,520	-16,520	0	34,438	-34,438
Postage	42,500	42,442	58	40,000	39,657	343
University Extension	45,000	45,000	0	40,000	40,000	0
Total Disbursements	3,170,059	2,995,516	174,543	2,918,645	2,894,961	23,684
RECEIPTS OVER (UNDER) DISBURSEMENTS	-287,409	39,759	327,168	-238,085	21,047	259,132
CASH, JANUARY 1	257,039	257,039	0	235,992	235,992	0
CASH, DECEMBER 31	$ -30,370	296,798	327,168	-2,093	257,039	259,132

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 525,000	564,267	39,267	460,000	461,698	1,698
Intergovernmental	493,130	494,791	1,661	470,100	497,978	27,878
Interest	6,000	6,348	348	5,000	5,487	487
Other	14,500	20,277	5,777	14,900	24,279	9,379
Total Receipts	1,038,630	1,085,683	47,053	950,000	989,442	39,442
DISBURSEMENTS						
Salaries	470,592	475,890	-5,298	473,444	463,889	9,555
Employee fringe benefits	132,052	128,686	3,366	131,980	119,459	12,521
Supplies	97,450	71,689	25,761	96,950	74,434	22,516
Insurance	19,500	19,931	-431	22,000	18,404	3,596
Road and bridge materials	208,500	29,736	178,764	208,000	60,733	147,267
Equipment repairs	101,500	44,867	56,633	101,000	61,349	39,651
Rentals	5,000	68	4,932	5,000	250	4,750
Equipment purchases	275,000	218,006	56,994	232,999	134,370	98,629
Office Expense	11,300	8,417	2,883	14,030	8,949	5,081
Other	47,244	28,513	18,731	48,000	41,657	6,343
Transfers out	28,862	28,862	0	28,862	28,862	0
Total Disbursements	1,397,000	1,054,665	342,335	1,362,265	1,012,356	349,909
RECEIPTS OVER (UNDER) DISBURSEMENTS	-358,370	31,018	389,388	-412,265	-22,914	389,351
CASH, JANUARY 1	227	227	0	23,141	23,141	0
CASH, DECEMBER 31	$ -358,143	31,245	389,388	-389,124	227	389,351

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 202,400	218,528	16,128	196,500	191,850	-4,650
Interest	2,000	1,756	-244	2,800	1,494	-1,306
Other	1,600	806	-794	2,700	907	-1,793
Transfers in	33,499	33,499	0	21,552	81,552	60,000
Total Receipts	239,499	254,589	15,090	223,552	275,803	52,251
DISBURSEMENTS						
Assessor	246,000	240,550	5,450	222,500	218,250	4,250
Transfers out	0	0	0	0	50,000	-50,000
Total Disbursements	246,000	240,550	5,450	222,500	268,250	-45,750
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,501	14,039	20,540	1,052	7,553	6,501
CASH, JANUARY 1	-67,971	-67,971	0	-75,524	-75,524	0
CASH, DECEMBER 31	$ -74,472	-53,932	20,540	-74,472	-67,971	6,501

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 8,000	11,062	3,062	7,791	7,867	76
Total Receipts	8,000	11,062	3,062	7,791	7,867	76
DISBURSEMENTS						
Sheriff	24,000	5,573	18,427	24,000	4,664	19,336
Total Disbursements	24,000	5,573	18,427	24,000	4,664	19,336
RECEIPTS OVER (UNDER) DISBURSEMENTS	-16,000	5,489	21,489	-16,209	3,203	19,412
CASH, JANUARY 1	19,412	19,412	0	16,209	16,209	0
CASH, DECEMBER 31	$ 3,412	24,901	21,489	0	19,412	19,412

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,000	1,910	-2,090	5,398	2,944	-2,454
Total Receipts	4,000	1,910	-2,090	5,398	2,944	-2,454
DISBURSEMENTS						
Prosecuting Attorney	4,000	912	3,088	6,500	4,046	2,454
Total Disbursements	4,000	912	3,088	6,500	4,046	2,454
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	998	998	-1,102	-1,102	0
CASH, JANUARY 1	0	0	0	1,102	1,102	0
CASH, DECEMBER 31	$ 0	998	998	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 290,600	308,336	17,736	264,600	271,209	6,609
Intergovernmental	209,344	222,428	13,084	198,785	231,241	32,456
Charges for services	1,046,089	772,024	-274,065	1,228,607	1,123,656	-104,951
Interest	8,000	8,199	199	7,000	7,773	773
Other	5,000	39,968	34,968	5,000	7,713	2,713
Total Receipts	1,559,033	1,350,955	-208,078	1,703,992	1,641,592	-62,400
DISBURSEMENTS						
Salaries	866,412	751,866	114,546	900,351	867,012	33,339
Fringe benefits	159,466	130,718	28,748	162,334	143,104	19,230
Office expenses	75,700	65,033	10,667	80,600	73,256	7,344
Equipment purchases and repair	28,020	35,350	-7,330	32,600	28,034	4,566
Mileage	44,000	41,667	2,333	52,000	60,713	-8,713
Contracted Services	255,720	222,872	32,848	300,380	252,797	47,583
Building payments	78,315	78,833	-518	78,315	78,314	1
Medical supplies	50,000	33,376	16,624	66,000	51,553	14,447
Insurance	17,000	6,493	10,507	25,100	32,304	-7,204
Other	24,400	21,471	2,929	6,400	27,504	-21,104
Total Disbursements	1,599,033	1,387,679	211,354	1,704,080	1,614,591	89,489
RECEIPTS OVER (UNDER) DISBURSEMENTS	-40,000	-36,724	3,276	-88	27,001	27,089
CASH, JANUARY 1	115,843	215,843	100,000	188,842	188,842	0
CASH, DECEMBER 31	$ 75,843	179,119	103,276	188,754	215,843	27,089

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 1,380,000	1,389,084	9,084	1,288,500	1,338,830	50,330
Intergovernmental	420,000	66,493	-353,507	697,000	265,966	-431,034
Interest	11,000	14,664	3,664	6,016	11,283	5,267
Other	1,000	166	-834	0	1,149	1,149
Total Receipts	1,812,000	1,470,407	-341,593	1,991,516	1,617,228	-374,288
DISBURSEMENTS						
Salaries	80,984	76,182	4,802	59,904	72,733	-12,829
Office Expenditures	24,878	16,855	8,023	20,096	15,614	4,482
Equipment	9,748	1,647	8,101	5,000	357	4,643
Other	200,000	4,194	195,806	80,000	3,626	76,374
Transfers out	23,252	23,252	0	100,000	100,000	0
Buildings	399,138	28,286	370,852	45,000	32,132	12,868
Jail bond payments	540,000	540,944	-944	542,000	537,177	4,823
Roads and bridges	1,012,000	835,346	176,654	1,237,000	477,925	759,075
Total Disbursements	2,290,000	1,526,706	763,294	2,089,000	1,239,564	849,436
RECEIPTS OVER (UNDER) DISBURSEMENTS	-478,000	-56,299	421,701	-97,484	377,664	475,148
CASH, JANUARY 1	483,147	483,147	0	105,483	105,483	0
CASH, DECEMBER 31	$ 5,147	426,848	421,701	7,999	483,147	475,148

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,300	1,410	110	1,239	1,070	-169
Charges for Services	10,700	10,942	242	11,000	8,732	-2,268
Total Receipts	12,000	12,352	352	12,239	9,802	-2,437
DISBURSEMENTS						
Prosecuting Attorney	33,000	11,683	21,317	38,000	14,212	23,788
Total Disbursements	33,000	11,683	21,317	38,000	14,212	23,788
RECEIPTS OVER (UNDER) DISBURSEMENTS	-21,000	669	21,669	-25,761	-4,410	21,351
CASH, JANUARY 1	21,351	21,351	0	25,761	25,761	0
CASH, DECEMBER 31	$ 351	22,020	21,669	0	21,351	21,351

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY TELEPHONE SERVICE (E-911)FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 106,428	106,428	0	106,428	106,428	0
Charges for services	267,400	281,871	14,471	257,470	273,197	15,727
Interest	5,550	8,340	2,790	7,315	5,323	-1,992
Other	0	445	445	0	265	265
Total Receipts	379,378	397,084	17,706	371,213	385,213	14,000
DISBURSEMENTS						
Salaries and employee benefits	285,351	282,795	2,556	270,420	244,781	25,639
Insurance	2,310	2,040	270	2,235	3,278	-1,043
Equipment and maintenance agreements	11,785	26,004	-14,219	46,572	39,631	6,941
Professional services	2,100	1,830	270	8,650	2,470	6,180
Office expense	2,664	3,291	-627	2,784	2,717	67
Advertising	240	528	-288	600	229	371
Telephone expenses	61,200	63,457	-2,257	62,400	60,828	1,572
Miscellaneous	4,596	4,490	106	6,200	6,661	-461
Total Disbursements	370,246	384,435	-14,189	399,861	360,595	39,266
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,132	12,649	3,517	-28,648	24,618	53,266
CASH, JANUARY 1	192,926	195,717	2,791	176,554	171,099	-5,455
CASH, DECEMBER 31	$ 202,058	208,366	6,308	147,906	195,717	47,811

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S PRESERVATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 10,000	13,124	3,124	10,200	11,298	1,098
Interest	1,000	1,162	162	732	744	12
Total Receipts	11,000	14,286	3,286	10,932	12,042	1,110
DISBURSEMENTS						
Ex Officio Recorder of Deeds	38,500	0	38,500	25,000	0	25,000
Total Disbursements	38,500	0	38,500	25,000	0	25,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-27,500	14,286	41,786	-14,068	12,042	26,110
CASH, JANUARY 1	27,609	27,609	0	15,567	15,567	0
CASH, DECEMBER 31	$ 109	41,895	41,786	1,499	27,609	26,110

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ENFORCEMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	$ 11,000	9,023	-1,977	18,196	11,383	-6,813
Total Receipts	11,000	9,023	-1,977	18,196	11,383	-6,813
DISBURSEMENTS						
Public Safety	25,483	8,857	16,626	42,000	20,704	21,296
Total Disbursements	25,483	8,857	16,626	42,000	20,704	21,296
RECEIPTS OVER (UNDER) DISBURSEMENTS	-14,483	166	14,649	-23,804	-9,321	14,483
CASH, JANUARY 1	14,483	14,483	0	23,804	23,804	0
CASH, DECEMBER 31	$ 0	14,649	14,649	0	14,483	14,483

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VETERAN'S ROAD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	$ 690,000	692,481	2,481	639,208	668,670	29,462
Interest	25,000	18,883	-6,117	8,000	21,023	13,023
Other	0	47,024	47,024	0	0	0
Total Receipts	715,000	758,388	43,388	647,208	689,693	42,485
DISBURSEMENTS						
Highways and roads	1,510,174	639,927	870,247	1,148,000	362,207	785,793
Transfers out	7,826	7,826	0	0	0	0
Total Disbursements	1,518,000	647,753	870,247	1,148,000	362,207	785,793
RECEIPTS OVER (UNDER) DISBURSEMENTS	-803,000	110,635	913,635	-500,792	327,486	828,278
CASH, JANUARY 1	828,278	828,278	0	500,792	500,792	0
CASH, DECEMBER 31	$ 25,278	938,913	913,635	0	828,278	828,278

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 15,452	10,899	-4,553	0	14,950	14,950
Total Receipts	15,452	10,899	-4,553	0	14,950	14,950
DISBURSEMENTS						
Refunds to the Department of Revenue	0	274,113	-274,113	0	0	0
Total Disbursements	0	274,113	-274,113	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,452	-263,214	-278,666	0	14,950	14,950
CASH, JANUARY 1	570,549	570,549	0	555,599	555,599	0
CASH, DECEMBER 31	$ 586,001	307,335	-278,666	555,599	570,549	14,950

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LEPC FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 8,000	7,766	-234	6,289	9,185	2,896
Transfers in	0	0	0	0	12,211	12,211
Total Receipts	8,000	7,766	-234	6,289	21,396	15,107
DISBURSEMENTS						
Office Supplies and miscellaneous	6,000	633	5,367	4,000	371	3,629
Equipment purchase	8,000	1,310	6,690	6,000	300	5,700
Training	8,000	556	7,444	5,000	1,125	3,875
Mileage and registration	3,500	1,094	2,406	3,500	1,005	2,495
Total Disbursements	25,500	3,593	21,907	18,500	2,801	15,699
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,500	4,173	21,673	-12,211	18,595	30,806
CASH, JANUARY 1	18,595	18,595	0	12,211	0	-12,211
CASH, DECEMBER 31	$ 1,095	22,768	21,673	0	18,595	18,595

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

MARION COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EDA CYANAMID ROAD PROJECT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 526,712	657,132	130,420
Total Receipts	526,712	657,132	130,420
DISBURSEMENTS			
American Cyanamid Road Project	526,712	657,132	-130,420
Total Disbursements	526,712	657,132	-130,420
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Emergency Telephone Service (E-911) Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Domestic Violence Fund	1998 and 1997
Associate Circuit Division, District 1, Interest Fund	1998 and 1997
Associate Circuit Division, District 2, Interest Fund	1998 and 1997
Probate Division, District 2, Interest Fund	1998 and 1997
Juvenile Justice Center Fund	1998 and 1997
Law Library Fund	1998 and 1997
Circuit, District 1, Interest Fund	1998 and 1997
Circuit, District 2, Interest Fund	1998 and 1997
CDBG Commercial Flood Buyout Fund	1998 and 1997
Family Access Fund	1998
Flood Buyout Fund	1997
CDBG Residential Flood Buyout Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Assessment Fund	1997
Emergency Telephone Service (E-911) Fund	1998
EDA Cyanamid Road Project Fund	1997
Local Use Tax Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	1998 and 1997
Special Road and Bridge Fund	1998 and 1997

However, the budgets of those funds also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show

receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.
However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Associate Circuit Division, District 1, Interest Fund	1998 and 1997
Associate Circuit Division, District 2, Interest Fund	1998 and 1997
Probate Division, District 2, Interest Fund	1998 and 1997
Juvenile Justice Center Fund	1998 and 1997
Law Library Fund	1998 and 1997
Circuit, District 1, Interest Fund	1998 and 1997
Circuit, District 2, Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county’s custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

The health center board’s deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The E-911 board’s deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

Supplementary Schedule

Schedule 1

MARION COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services - Food			
10.6	Distribution	N/A	$ 1,288	431
	Department of Health - Special			
	Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	CDA-238-0050	72,257	81,266
	U. S. DEPARTMENT OF COMMERCE:			
	Economic Development - Grants for Public Works			
11.3	and Infrastructure Development	05-19-61046	N/A	657,132
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	96EM005	143	29,707
		94DR005	0	9,817
		93DR033	0	137,628
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	ER010640052	17,600	17,600
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety -			
	Missouri Sheriffs' Association - Domestic			
16.unknown	High Intensity Drug Traffic Area	98HIDTA55203	37,681	13,441
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			
	Transportation Commission - Off-System			
	Bridge Replacement and Rehabilitation	BRO-064(10)	22,106	16,704
20.2	Program	BRO-064(16)	45,649	249,262
	Program Total		67,755	265,966
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	119	241

	FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety:				
	Emergency Management - State and Local				
83.5	Assistance	FEMA-995-DR-MO		N/A	46,754
::					
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:				
	Department of Health - Childhood Lead Poisoning				
	Prevention Projects - State and Community-Based	AOC8000307		19,300	N/A
	Childhood Lead Poisoning Prevention and Surveilance				
93.2	of Blood Lead Levels in Children				
93.3	Department of Health - Immunization Grants	ER0146-8164		11,671	8,700
	Department of Social Services - Child Support				
93.6	Enforcement	N/A		641	2,308
	Department of Health -				
93.6	Child Care and Development Block Grant	ER0146-9164		3,009	2,908
	Department of Social Services - Social Services				
93.7	Block Grant	ER0172099		96,097	34,180
		ER0172029			
		ER0172100			
	Department of Health:				
93.9	HIV Care Formula Grants	C900116001		6,347	10,630
	Cooperative Agreements for State-Based				
	Comprehensive Breast and Cervical Cancer				
93.9	Early Detection Programs	ER0161-90039		16,618	24,292
	Maternal and Child Health Services				
94.0	Block Grant to the States	CDA224-9164		26,655	31,929
	Total Expenditures of Federal Awards		$	377,181	1,374,930

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

MARION COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Marion County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Marion County, Missouri

Compliance

We have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Marion County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

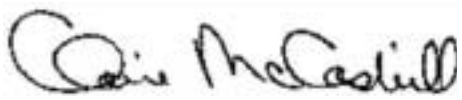
Internal Control Over Compliance

The management of Marion County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes ___X___ no

Reportable condition identified that is not considered to be material weakness? _____ yes ___X___ none reported

Noncompliance material to the financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes ___X___ no

Reportable condition identified that is not considered to be material weakness? ___X___ yes _____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? ___X___ yes _____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
11.300	Economic Development - Grants for Public Works and Infrastructure Development
20.205	Off-system Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-1. Schedule of Expenditures of Federal Awards

Federal Grantor: U.S. Department of Commerce
Pass-Through Grantor: Not Applicable
Federal CFDA Number: 11.300
Program Title: Economic Development - Grants for Public Works and Infrastructure Development
Pass-Through Entity Identifying Number: 05-19-61046
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity Identifying Number: BRO-064(10) & BRO-064(16)
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have a procedure in place to track federal assistance for preparation of the SEFA. The county did not prepare and submit a SEFA to the State Auditor's Office for the year ended December 31, 1997. Upon our request during the audit fieldwork, the county did provide the schedule for the years ended December 31, 1998 and 1997.

Without an accurate and timely SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will try to prepare an accurate SEFA. The County Clerk's deputy will maintain a file of all federal contracts to help identify federal dollars. The County Clerk is the contact person and the anticipated completion date of the next SEFA is January 2000.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MARION COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards*, requires to be reported for an annual audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MARION COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

2. County Expenditures (Federal Portion)

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.579
Program Title:	Drug Control and System Improvement- Formula Grant
Pass-Through Entity Identifying Number:	94-NCD2-0021& 93-NCD2-0008
Award Years:	1995 and 1994
Questioned Costs:	Not Applicable

Federal Grantor:	Federal Emergency Management Agency (FEMA)
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.516
Program Title:	Disaster Assistance
Pass-Through Entity Identifying Number:	FEMA-995-DR-MO
Award Years:	1996, 1995 and 1994
Questioned Costs:	$534,926

B. The county was the grant recipient for a Drug Control and System Improvement Grant, passed through the state Department of Public Safety (DPS). Marion County made disbursements for payroll expenses for the Northeast Missouri (NEMO) Drug Task Force employees; however, the county did not require documentation of time worked. In

addition, the County Commission approved reimbursement requests from the NEMO Task Force without reviewing documentation which supported Task Force expenditures. Also, the County Commission did not ensure the NEMO Task Force obtained an audit.

C. The county did not advertise or solicit bids for flood debris clean up services costing $534,926 which was claimed as a FEMA expenditure.

Recommendation:

B&C. The County Commission contact state and federal grantor agencies to resolve the questioned costs. In addition, the County Commission should adequately review supporting documentation for all expenditures prior to approving such expenditures or reimbursement requests and ensure subrecipients of federal financial assistance comply with federal regulations, including obtaining an annual audit when necessary.

Status:

B&C. Implemented. The Drug Control and System Improvement grant is now administered by another political subdivision. Department of Public Safety personnel indicated that questioned costs have been resolved. Due to an emergency situation and the need to complete the project promptly, State Emergency Management Agency personnel indicated that bids were not required in this situation.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MARION COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We also have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Marion County Services for the Developmentally Disabled Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the years ended June 30, 1998 and 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes

findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Marion County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Circuit Clerk, District 2 (Hannibal) Accounting Controls and Procedures

For the year ended December 31, 1998, the Circuit Clerk's, District 2 (Hannibal) office received approximately $500,000 in fees, bonds and interest. The circuit clerk has a fiduciary responsibility to ensure all monies in her custody are accounted for properly. During our review we identified the following significant weaknesses:

A. Monies received are not deposited on a timely basis. Deposits to the fee account are made every two to three days. In addition, receipts are not posted to the computerized accounting records until the deposit is made. To adequately safeguard monies and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100 and receipts should be posted to the accounting records daily.

B. Formal bank reconciliations were not prepared on a timely basis for the child support account. As of December 1998, the child support account bank reconciliations were completed through August 1998. Failure to prepare timely formal bank reconciliations increases the risk that errors or irregularities will not be detected on a timely basis.

C. The Circuit Clerk's fee account has 28 checks totaling $7,188 which have been outstanding for more than one year. In addition to the current fee account, an inactive fee account is maintained which has 47 outstanding checks totaling $6,979. The inactive fee account has outstanding checks dating back to July 1992.

The Circuit Clerk should investigate old outstanding checks that have not cleared the bank, and determine proper disposition. Procedures should be adopted to periodically follow up on old outstanding checks.

D. An open-items listing for the fee account is not maintained. The Circuit Clerk's fee account cash balance was approximately $212,000 at December 31, 1998. Although an open items listing is maintained for the child support account, a reconciliation of the open items listing to the reconciled bank balance has not been performed since August 1998. The Circuit Clerk indicated that reconciliations have not been performed because of computer system problems.

Monthly listings of open-items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides

assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Unidentified differences should be investigated and resolved.

E. During a review of case files we noted cases for which monies were not disbursed timely and remained in the Circuit Clerk's fee account. Two cases reviewed had been closed for over one year prior to the case being processed and any remaining monies being disbursed. Upon disposition of a case, the case should be properly processed and any remaining funds should be distributed on a timely basis. Continuing to account for monies which could be disbursed results in an unnecessary administrative burden.

F. The Circuit Clerk's bank accounts were not adequately covered by collateral securities, and therefore, monies were unsecured by various amounts during the audit period. In September 1998 and December 1997, when balances were at their highest, approximately $90,000 was unsecured.

Section 483.312, RSMo 1998, requires the value of securities pledged by banks holding circuit court fund shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Circuit Clerk should enter into depositary agreements with the banks to require collateral securities to be pledged whenever balances exceed FDIC coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the Circuit Clerk, District 2 (Hannibal):

A. Deposit monies received intact daily or when accumulated receipts exceed $100. In addition, receipts should be recorded daily.

B. Ensure formal bank reconciliations are prepared on a monthly basis.

C. Investigate all old outstanding checks and either reissue the check or consult with legal counsel as to the appropriate disposition. In the future, outstanding checks should be investigated and resolved on a periodic basis.

D. Prepare accurate monthly listings of liabilities and reconcile the listings to book and bank balances.

E. Ensure all cases are processed and monies are distributed on a timely basis.

F. Ensure the depositary bank pledges adequate securities at all times in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A. The office has started to try and make general account deposits on a timely basis. Receipts are being posted in the computer before deposits are made.

B. Reconciliations have been prepared.

C. She is in the process of investigating old outstanding checks.

D. She is in the process of updating open items.

E. She has disbursed the last several months of cases.

F. The bank has secured deposits in excess of the FDIC coverage.

2. County Expenditures

Bids were not always solicited, nor was bid documentation always retained, for various purchases made by the county during the audit period.

Examples of items purchased, for which bid documentation could not be found or was not sufficient, are as follows:

Item Purchased	Cost
Jail kitchen supplies (audit period total)	$ 178,368
Gravel (audit period total)	146,318
Reassessment Map Maintenance	18,118
	$ 342,804

Section 50.660, RSMo 1994, requires the advertisement of bids for all purchases of $3,000 or more, and the solicitation of bids for purchases greater than $1,000 from any one person, firm, or corporation in any period of 90 days. Effective August 28, 1998, a change in state law raised the limit for solicitation of bids to $4,500. Bidding procedures for major purchases provide a framework for economical management of county resources and help ensure the county receives fair value by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

WE RECOMMEND the County Commission solicit bids for all items in accordance with state law. Documentation of bids and the reasons for selecting other than the lowest bid should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.

AUDITEE'S RESPONSE

The County Commission will try to maintain better documentation of the bidding process.

3. Budgetary Practices

A. Budgets were not prepared for some funds for the years ended December 31, 1998, and 1997.

By obtaining or preparing budgets for all county funds, the County Commission would be able to more effectively evaluate all county resources. In addition, Chapter 50, RSMo 1994, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year.

B. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

C. Deficiencies were noted in the budgets prepared by the County Clerk and approved by the County Commission as follows:

1) For some funds budgeted expenditures significantly exceeded actual expenditures. For many of the same funds, it appears budgeted expenditures were based strictly on total beginning available resources and anticipated revenues. As a result, the anticipated ending fund balance was understated.

2) Significant expenditure amounts were sometimes budgeted in broad categories with no detail provided. Failure to provide detailed budget categories reduces the effectiveness of the budget as a management tool.

By not presenting all financial information in a complete and accurate manner, the effectiveness of the budget as a management tool is decreased. To be of maximum assistance to the county and its taxpayers, a complete and accurate budget document is needed.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

A. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.

B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

C. And County Clerk ensure budget documents are accurate and complete.

AUDITEE'S RESPONSE

A. The County Commission will attempt to conform with state law.

The County Clerk indicated the several funds listed by the auditors are of the more obscure variety and very small in sum. They are controlled by various county and judicial officials and will be included in the county budget document and financial statement if and when these officials submit budget estimates of revenues and expenditures. It would seem to the County Clerk that auditors should transmit their opinions and comments regarding this need, not only to the County Commission and Budget Officer, but also to the officials in control of these funds, thereby enlightening them of the need for cooperation in an effort to present a complete financial plan for a given year.

3.B. The County Clerk indicated, it is likely, if county and judicial officials are not submitting these obscure funds to the budget officer for inclusion in the county budget, they will not end up in the financial statement either. This situation will be corrected when 3.A. is corrected.

3.C. The County Clerk indicated:

The funds to which the auditor refers to in C. 1) are single-purpose funds. The controlling officer of that particular fund, such as the Sheriff or Prosecuting Attorney, usually submits their budget-request forms for revenues and expenditures showing all resources budgeted out as expenditures. Since these funds cannot be spent for purposes other than that for which they were intended, the County Clerk agrees with them that this practice is responsible and acceptable. The County Clerk agrees that the ending fund balance becomes understated, but as long as it is not a deficit, and all expenditures are accounted for in a lawful manner, he sees no problem, especially with these smaller insignificant funds representing far less than 1% of the county's total budget.

Actually the budget document to which the auditor refers plays a very small role as a "management tool." In fact, the county uses it very little as a "management tool." The county's AS-400 computer's financial package form greatly surpasses the state document

form in its informational content for detail, and it is at the County Clerk's fingertips. All of its financial information is presented in a complete and accurate manner. Its ease of presenting complete detail of every Marion County expenditure is easily shown upon the request of any county official, auditor or taxpayer. An accurate budget document is a reality. The county has it now.

4. Collateral Securities

Our review of pledged collateral for county funds revealed the following concerns:

A. The amount of collateral securities pledged by the county's depositary banks in January 1999 and January 1998, was insufficient by approximately $2.2 and $1.5 million, respectively, to cover monies in the custody of the County Treasurer and County Collector.

B. The amount of collateral securities pledged by the Health Center Board's depositary banks in February of 1998 was insufficient by approximately $117,000, to cover monies in the Health Center account.

It appears these situations occurred because bank balances are not monitored by the county or health center board, respectively. Section 110.020, RSMo 1994, provides that the value of the securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation(FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND :

A. The County Commission ensure collateral securities pledged by the depositary banks are sufficient to protect monies at all times.

B. The health center Board of Trustees ensure collateral securities pledged by the depositary banks are sufficient to protect monies at all times.

AUDITEE'S RESPONSE

A. The County Commission indicated the recommendation has been implemented.

B. The health center Administrator indicated the health center monies are now adequately collateralized. She stated deposits are being monitored to ensure all deposits are collateralized throughout the year.

5. Prosecuting Attorney Rent

The Prosecuting Attorney maintains an office outside the county courthouse. In addition to his duties as the county Prosecuting Attorney, he operates a private law practice from this office. Currently, the county pays 100 percent of all rent and utilities (excluding telephone) expense. The county does not have a written agreement with the Prosecuting Attorney regarding the share of office expenses the county should pay. During the year ended December 31, 1998, rent and utilities (exclusive of telephone) totaled $7,200 and $3,475, respectively.

Since county resources should be used for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what the arrangements are, what rent and/or equipment will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained.

To ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for the allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work efforts to avoid the appearance of impropriety, and alleviate questions regarding possible inappropriate use of public resources. This situation was noted in our prior report.

WE AGAIN RECOMMEND the County Commission establish a written agreement with the Prosecuting Attorney for the county's share of overhead costs (rent, utilities, etc.). In addition, the basis for the reimbursement rate should be documented and monitored.

AUDITEE'S RESPONSE

The County Commission indicated they have discussed this with the Prosecuting Attorney. The Prosecuting Attorney uses personal property for county use and the county believes this offsets the amount paid for rent and utilities. The County Commission will contact the Prosecuting Attorney to obtain written documentation on this matter.

6. Personnel Policies and Procedures

Our review of employee time cards and leave records revealed that compensatory time is accumulated for time worked in excess of eight hours per day even when 40 hours were not worked during the week. The County Personnel Policies and Procedures Manual states that overtime compensation will be rewarded at one and a half times the usual rate of pay, in the form of compensatory time off, for hours worked in excess of 40 per week. The manual states that an employee must meet the 40-hour plus work week, not simply exceed an 8-hour day, before being eligible for overtime compensation.

According to the manual, compensatory time can accumulate to a maximum of 240 hours for all nonemergency personnel and compensatory time for each employee will then be reduced to 40 hours on an annual date supplied by the elected official. With the exception of road and bridge employees, we noted that employees' accumulated compensatory time was not being reduced to 40 hours. At December 31, 1998, the county's records reflected accumulated compensatory time totaling 1,031 hours (exclusive of the Sheriff's office and road and bridge employees). Three employees had balances exceeding 100 hours.

WE RECOMMEND the County Commission review the policy and ensure compliance with the County Personnel Policies and Procedures Manual.

AUDITEE'S RESPONSE

The County Commission indicated the personnel policy has been changed to allow compensatory time as noted above and will ensure compliance with the policy. The County Commission will review compensatory time accumulation and the reduction to forty hours on an annual date with the county officials.

7. Property Tax Books

The back tax books are prepared by the County Collector; however, no procedures are performed by the County Clerk to verify the accuracy of the back tax books.

Section 140.050, RSMo 1994, requires the County Clerk to charge the County Collector with the aggregate amount of taxes, interest, and clerk's fees contained in the back tax books. Failure to perform reviews of the tax books may result in errors and irregularities going undetected. The procedures outlined in the statutes for the preparation of the tax books provide for the separation of duties and acts as a form of checks and balances over the County Collector.

WE RECOMMEND the County Clerk verify the totals of the back tax books for accuracy and document the procedures performed.

AUDITEE'S RESPONSE

The County Clerk indicated he will implement the recommendation.

8. Emergency Telephone Service (E-911) Board

In December of 1998 and 1997, the E-911 Board paid a $50 bonus to each employee for a total of $1,100. These payments represent additional compensation in the form of a bonus for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution which states, in part:

> "The general assembly shall have no power...To grant or to authorize any county or municipal authority to grant any extra compensation, fee or allowance to a public officer, agent, servant or contractor after service has been rendered or a contract has been entered into and performed in whole or in part..."

WE RECOMMEND The Emergency Telephone Service (E-911) Board discontinue the practice of paying employee bonuses.

AUDITEE'S RESPONSE

The E-911 Board Treasurer indicated the Board will comply with the recommendation.

9. Associate Circuit Division, District 2 (Hannibal) Open Items

The December 31, 1998, and 1997 listings of open items exceeded the reconciled bank balance by $2,793, and $1,908, respectively. As noted in the prior report, open items exceeded the reconciled bank balance by $2,103 at December 31, 1996. There is no indication that the open items listing is compared to the reconciled bank balance or that differences are investigated.

The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Unidentified differences should be investigated and resolved on a timely basis.

WE AGAIN RECOMMEND the Associate Circuit Judge:

Require a detailed monthly listing of open items be prepared on a timely basis and periodically reconciled to the cash balance. Any unidentified differences should be investigated and resolved on a timely basis.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated the court has instructed the court clerks to reconcile open items to the bank balance and investigate any unidentified differences as well as investigate any differences in prior years. The court has been working to reconcile open items. The open items discrepancy has been carried forward from prior to the time the current Judge took office. The Office of State Courts Administrator has been contacted by the court and they advised they would provide auditing and accounting services to reconcile any perceived potential difficulties.

This report is intended for the information of the management of Marion County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MARION COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Marion County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding numbers 2.B&C. are omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Circuit Clerk, District 2 (Hannibal) Accounting Controls and Procedures

   A. Accounting duties were not segregated for fee account transactions. There was no documentation that personnel independent of the accounting duties performed reconciliations of the records or reviews of the work performed.

   B. Monies received were not deposited on a timely basis.

   C. Formal bank reconciliations were not prepared on a timely basis for the fee account and the child support account.

   D. The Circuit Clerk's fee account and child support account had numerous checks which had been outstanding for more than one year.

   E. The Circuit Clerk had not prepared an open items listing for the fee account since December 31, 1993. As of March 31, 1997, the reconciled cash balance exceeded the total identified open items by $17,571. In addition, the open items listing for the child support account was not prepared on a timely basis.

   F. Several cases were noted where monies were not disbursed timely and remained in the Circuit Clerk's fee account.

   G. Disbursements to the state and county for fees collected were untimely.

   H. For most of the audit period, the Circuit Clerk's bank accounts were not covered by collateral securities.

   I. The Circuit Clerk earned interest on the various accounts maintained, but did not maintain an interest ledger which summarized interest revenues, disbursements, and the balance.

   Recommendation:

   The Circuit Clerk, District 2 (Hannibal):

A. Provide for adequate segregation of duties and performance of independent reconciliations and reviews of accounting records.

B. Deposit receipts daily or when accumulated receipts exceed $100.

C. Ensure formal bank reconciliations are prepared on a monthly basis.

D. Investigate all old outstanding checks and either reissue the check or consult with legal counsel as to the appropriate disposition. In the future, outstanding checks should be investigated and resolved on a periodic basis.

E. Prepare accurate monthly listings of liabilities and reconcile the listings to book and bank balances.

F. Ensure all cases are processed and monies are distributed on a timely basis.

G. Ensure fees are turned over on a monthly basis.

H. Ensure the depositary bank pledges adequate securities at all times in accordance with state law.

I. Deposit and account for the sources and uses of all interest monies and, if necessary, consider depositing all interest monies into one account.

Status:

A. Not implemented. Although duties are not adequately segregated, all employees may receive monies and perform bank reconciliations. The Circuit Clerk indicated she reviews bank reconciliations; however, the review is not documented. Although not repeated in the current report, our recommendation remains as stated above.

B. Partially implemented. Child Support monies received are deposited on a timely basis; however, monies received for circuit court fees are not. See MAR No. 1.

C. Partially implemented. Bank reconciliations are being performed monthly for the fee account. However, as of December 1998, bank reconciliations had not been performed for the child support account since August 1998. See MAR No. 1.

D-F, & H. Not implemented. See MAR No. 1.

G&I. Implemented.

2. County Expenditures

A. Bids were not always solicited, nor was bid documentation always retained, for various purchases made by the county during the audit period.

D. Distributions were made to various not-for-profit corporations and political subdivisions without monitoring the expenditures of the monies. In addition, written agreements were not always obtained.

E. The Prosecuting Attorney maintained an office outside the county courthouse which was used to conduct county business and operate a private law practice. The county paid 100 percent of all rent and utilities (excluding telephone) expense but did not have a written agreement with the Prosecuting Attorney regarding the share of office expenses the county should pay.

F. The supervisor of the road and bridge department was provided a county-owned vehicle which he also used for commuting purposes. There was no written policy allowing the use of this vehicle for commuting purposes nor were detailed logs which distinguished between business and personal usage maintained. In addition, the personal use of the vehicle was not reported as fringe benefits on the individual's W-2, as required by the IRS.

Recommendation:

The County Commission:

A. Solicit bids for all items in accordance with state law. Documentation of bids and the reasons for selecting other than the lowest bid should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.

D. Ensure distributions to NFPs and political subdivisions and disbursements for services are made pursuant to a written contract which specifically states the benefits to be received by both parties. All expenditures should be monitored for compliance with the terms of the contract.

E. Establish a written agreement with the Prosecuting Attorney for the county's share of overhead costs (rent, utilities, etc.). In addition, the basis for the reimbursement rate should be documented and monitored.

F. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy regarding the appropriate use of county vehicles for commuting purposes.

Status:

A. Not implemented. See MAR No. 2.

D. Implemented.

E. Not implemented. See MAR No. 5.

F. Not implemented. The County Commission considers the road supervisor to be on call 24 hours per day. Although not repeated in the current report, our recommendation remains as stated above.

3. Budgetary Practices

A. Budgets were not prepared for some funds for the years ended December 31, 1996, 1995, and 1994.

B. The annual published financial statements of the county did not include the financial activity of some county funds as required.

C. Deficiencies were noted in the information presented in the budgets prepared by the County Clerk and approved by the County Commission.

Recommendation:

A. The County Commission ensure that budgets are prepared or obtained for all county funds in accordance with state law.

B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

C. The County Commission and County Clerk ensure budget documents are accurate and complete.

Status:

Not implemented. See MAR No. 3.

4. Assessment Fund

At December 31, 1996, $73,818 was due to various taxing authorities (primarily school districts) from the Assessment Fund and $145,066 was due from the General Revenue Fund to the Assessment Fund.

Recommendation:

The County Commission authorize the payment of $73,818 from the Assessment Fund to the various taxing authorities and the transfer of $145,066 from the General Revenue Fund to the Assessment Fund. If the County Commission does not intend to make the payment and transfer, it should be clearly documented in the County Commission minutes along with justification for not doing so.

Status:

Partially implemented. Assessment Fund expenditures of $16,520 and $36,438 were paid from the General Revenue Fund during 1998 and 1997, respectively, and $107,334 was transferred from the Local Use Tax Fund to the Assessment Fund in January 1999; however,

the county has not paid the $73,818 to the various taxing authorities. Although not repeated in the current report, we continue to recommend the County Commission authorize the payment of $73,818 from the Assessment Fund to the various taxing authorities.

5. Railroad and Utility Tax Distributions

The County Clerk did not correctly apportion 1994 railroad and utility tax collections to the various school districts.

Recommendation:

The County Clerk adjust future railroad and utility tax distributions for the amounts due to (from) the various school districts and use the proper percentages in computing future distributions.

Status:

Implemented.

6. General Fixed Asset Records and Procedures

A. County-owned assets purchased throughout the year which were not located at the Palmyra Courthouse were not tagged until a physical inventory was performed. In addition, general fixed asset items purchased with monies from the various officials' interest funds were not always recorded in the general fixed asset records.

B. The County Commission's approval for the disposal of fixed assets was not always documented.

Recommendation:

A. The County Clerk request that the various other county officials submit copies of invoices when equipment items are purchased from funds outside the control of the County Treasurer. These property items should then be recorded on the general fixed asset records as county property.

B. The County Commission ensure approval of all property dispositions is properly documented.

Status:

A. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

B. Implemented. When County Clerk personnel are informed of dispositions by elected officials, it is brought to the attention of the County Commission who determines the method of disposal. The County Clerk indicated the method of disposition is then documented in the general fixed asset records.

7. Circuit Clerk, District 1 (Palmyra) and Ex Officio Recorder of Deeds Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Formal monthly bank reconciliations were not prepared for the Circuit Clerk fee account and a cash balance was not maintained.

C. The Circuit Clerk's office open items listing was not reconciled to book balances.

D. The Circuit Clerk's fee account had seven checks totaling $204 which were outstanding for at least three years. In addition, the Circuit Clerk's child support account had eight checks totaling $875 which were outstanding for over one year.

E. Criminal costs paid out exceeded the amount received from the state by $1,628 in 1991. Monies were not withheld from criminal cost distributions to correct the overpayment.

Recommendation:

A. The Circuit Clerk, District 1 (Palmyra) and Ex Officio Recorder of Deeds provide for adequate segregation of duties and the performance of independent reconciliations and reviews of accounting records.

B. The Circuit Clerk maintain a cash balance and reconcile to the bank account on a monthly basis. Any differences should be investigated and resolved.

C. The Circuit Clerk reconcile the listing of liabilities to the cash balance on a monthly basis.

D. The Circuit Clerk investigate all old outstanding checks and either reissue the checks or consult with legal counsel as to the appropriate disposition. In the future, outstanding checks should be investigated and resolved on a periodic basis.

E. The Circuit Clerk withhold $1,628 from future criminal cost distributions to correct the overpayment noted above.

Status:

A. Partially implemented. Although duties are not adequately segregated, bank reconciliations are reviewed and initialed by an independent employee. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

D. Not implemented. The fee account continues to have outstanding checks dating back to 1993, and the child support account has outstanding checks that date back to 1994. Although not repeated in the current report, our recommendation remains as stated above.

E. Not implemented. We could not find any evidence that a correction had been made. Although not repeated in the current report, our recommendation remains as stated above.

8. Associate Circuit Division, District 1(Palmyra) Unclaimed Monies

The bond account contained $7,663 in bond monies which were more than five years old. In addition, at December 31, 1996, the general account had $506 in outstanding checks that were over one year old.

Recommendation:

The Associate Circuit Judge authorize $7,663 in bond monies be turned over to the State Treasurer for deposit to the Abandoned Funds Account. In addition, old outstanding checks should be investigated to see if the payee can be located and, if possible, reissue the check. Any remaining unclaimed amounts should be disbursed in accordance with state law.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

9. Associate Circuit Division, District 2 (Hannibal) Accounting Controls and Procedures

A. The December 31, 1996, listing of open items exceeded the reconciled bank balance by $2,103.

B. The Associate Circuit Division, District 2, open items listing included $886 related to 73 cases which were five to twelve years old. In addition, 28 checks totaling $302 were outstanding for more than one year.

Recommendation:

The Associate Circuit Judge:

A. Require a detailed monthly listing of open items be prepared on a timely basis and periodically reconciled to the cash balance. Any unidentified differences should be investigated and resolved on a timely basis.

B. Establish procedures to follow up and properly dispose of open items and resolve old outstanding checks in a timely manner, including disbursing unclaimed amounts in accordance with state law.

Status:

A. Not implemented. See MAR No. 9.

B. Implemented.

10. Sheriff Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Receipts were not always recorded immediately upon receipt.

C. The Sheriff maintained a cash fund at the Sheriff's office and the jail. A comparison of the cash fund ledger to a count of cash fund monies revealed at least $461 was unaccounted for.

D. The total amount of prisoner monies in the Sheriff's commissary checking account was not reconciled to the individual prisoner balances.

Recommendation:

The Sheriff:

A. Provide for adequate segregation of duties and the performance of independent reconciliations and reviews of accounting records.

B. Ensure all receipts are recorded immediately upon receipt. In addition, $630 should be turned over to the County Treasurer.

C. Investigate the $461 that was unaccounted for as of May 28, 1997 and pursue recovery. In addition, any monies remaining in the cash fund should be turned over to the County Treasurer for deposit into the General Revenue Fund. If a petty cash fund is deemed necessary, it should be maintained on an imprest basis and expended only for official business. Supporting documentation should be maintained for all expenditures.

D. Reconcile the individual prisoner balances to the total amount of prisoner monies in the account.

Status:

A. Partially implemented. Accounting duties are not adequately segregated; however, the Sheriff reviews deposits and bank reconciliations and signs all checks. Although not repeated in the current report, our recommendation remains as stated above.

B. Implemented.

C. Partially implemented. Supporting documentation is maintained for expenditures; however, the monies that were previously unaccounted for have not been recovered and the petty cash fund is not maintained on an imprest basis. Although not repeated in the current report, our recommendation remains as stated above.

D. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

11. Public Administrator Accounting Controls and Procedures

A. Some settlements did not include all estate assets, such as real property, burial plans, and accrued interest from certificates of deposit.

B. There were numerous instances in which settlements were not filed timely.

C. Checks written to care facilities were for less than the invoiced amount. In addition, in one case there were seven payments to a care facility for which supporting documentation was either not received or maintained.

Recommendation:

A. The Associate Circuit Judge require the Public Administrator to file complete and accurate settlements and inventories.

B. The Associate Circuit Judge continue to monitor the timeliness of cases turned over by the former Public Administrator.

C. The Public Administrator pay vendor invoices for the amount of the invoice. If the Public Administrator pays less than the invoice amount, the reasons should be documented. In addition, supporting documentation should be maintained for all disbursements.

Status:

Implemented.

12. County Health Center

A. Health center employees were required to maintain time sheets; however, the time sheets were not approved by the employees' supervisor.

B. Budgets did not include actual receipts and disbursements from the two previous years.

C. Actual expenditures exceeded approved budgeted expenditures by $44,281, $33,299, and $15,792, for the years ended December 31, 1996, 1995, and 1994, respectively.

Recommendation:

The health center Board of Trustees:

A. Ensure employee time sheets are approved by the employees' supervisor.

B. Ensure the budget documents are accurate and present complete information.

C. Refrain from incurring expenditures in excess of budgeted amounts. If it becomes necessary to incur expenditures in excess of the approved budget, the circumstances should be fully documented and the budget properly amended prior to incurring the expenditures.

Status:

A. Not implemented. The health center Administrator indicated that a review of time sheets is performed; however, that review is not documented. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

13. County Collector Deposits

Receipts were not always deposited intact. In addition, tax collections were sometimes used to cash checks for county officials/employees.

Recommendation:

The County Collector deposit all monies received intact daily. If a change fund is needed, it should be maintained at an established set amount. In addition, the practice of using receipts to cash checks for county employees should be discontinued.

Status:

Partially implemented. County Collector personnel indicated checks were no longer cashed for county employees; however, monies received were not deposited intact daily. The County Collector generally withheld monies from the deposit to have funds to provide change and to divide monies received between various bank accounts. The new County Collector indicated he is going to deposit monies intact. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MARION COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1826, the county of Marion was named after Francis Marion of the Revolution. Marion County is a county-organized, third-class county and is part of the Tenth Judicial Circuit. The county seat is Palmyra.

Marion County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Marion County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 625,339	15	475,045	13
Sales taxes	1,389,092	34	1,338,856	34
Federal and state aid	1,212,000	29	1,217,596	31
Fees, interest, and other	894,527	22	873,953	22
Total	$ 4,120,958	100	3,905,450	100

The following chart shows how Marion County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 1,091,008	27	1,103,341	28
Public safety	1,904,508	47	1,791,620	46
Highways and roads	1,054,665	26	1,012,356	26
Total	$ 4,050,181	100	3,907,317	100

::
In addition, significant sales tax receipts and capital improvement expenses are accounted for in the Capital Improvement Sales Tax Fund. Receipts of the Capital Improvement Sales Tax

Fund were $1,470,407 and $1,617,228 and disbursements were $1,526,706 and $1,239,564 for the years ended December 31, 1998 and 1997, respectively.

The county maintains approximately 93 county bridges and 500 miles of county roads.

The county's population was 28,121 in 1970 and 27,682 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
			(in millions)		
Real estate	$ 133.9	129.9	88.3	76.1	41.9
Personal property	73.2	63.4	24.8	13.6	9.5
Railroad and utilities	14.7	14.1	8.7	8.8	7.2
Total	$ 221.8	207.4	121.8	98.5	58.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Marion County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .02	.02
Special Road and Bridge Fund	.30	.27
Health Center Fund	.15	.15
Senate Bill 40 Board Fund	.14	.14

::

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 66,393	63,987
General Revenue Fund	60,427	51,590
Special Road and Bridge Fund	637,241	553,301
Assessment Fund	106,181	101,192
Health Center Fund	315,237	303,424
Senate Bill 40 Board Fund	294,038	282,167
School districts	7,030,269	6,751,616
Nursing home districts	328,410	316,543
Ambulance district	519,782	500,026
Cities	112,848	136,035
Special Districts	271,119	269,240
County Clerk	3,401	3,693
County Employees' Retirement	44,903	46,156
Other	284	202

Commissions and fees:			
County Collector		6,723	7,147
General Revenue Fund		250,391	238,902
Total	$	10,047,647	9,625,221

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	94.1 %	93.4 %
Personal property	85.9	92.2
Railroad and utilities	75.2	99.9

Marion County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	50.0
Capital improvements		0.005	2004	None
Veterans road project		0.0025	2002	None

::

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Lyndon Bode, Presiding Commissioner	$		20,000	20,000
William Richmond, Associate Commissioner			20,000	20,000
Kenny Meyers, Associate Commissioner			20,000	9,769
Brock Phillips, Associate Commissioner				8,077
Robert J. Ravenscraft, County Clerk			31,500	31,500
Thomas Redington, Prosecuting Attorney			37,000	37,000
Daniel Cambell, Sheriff			49,920	49,920
F. Jean Buckman, County Treasurer			21,590	21,590
Peggy Porter, County Coroner			9,600	9,600
Gayle Viorel, Public Administrator *			36,532	8,945
Lester L. Peters, County Collector**, year ended February 28,		45,858	47,311	
Carl Zupan, County Assessor , year ended August 31,***			43,463	33,800
Harold Crane, County Surveyor ****				

* Includes fees received from probate cases.

** Includes compensation of $6,723 and $7,147, respectively, from drainage districts for the years ended February 28, 1999 and 1998. Salary reduced during the year ended February 28, 1999, for overpayments for previous years.

*** Includes $900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

John E. Yancy, Circuit Clerk and Ex Officio Recorder of Deeds	47,723	45,453
Carolyn Conners, Circuit Clerk, Division II	47,723	45,453
John J. Jackson, Associate Circuit Judge	85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk, Division I and Ex Officio Recorder of Deeds ***	3	1.5
Circuit Clerk, Division II	0	4
County Clerk	4	0
Prosecuting Attorney ****	7	0
Sheriff *	31	0
Public Administrator	1	0
County Collector *	6	0
County Assessor *	8	0
Associate Division I ***	1	2
Associate Division II ***	1	2
Probate Division	0	1
Road and Bridge	23	0
Health Center **	30	0
Emergency Preparedness	3	0
Palmyra Courthouse	1	0
Planning and Zoning ***	1	0
Capital Improvements	3	0
Emergency Telephone Service (E-911) ***	12	0
Total	135	11

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Marion County's share of the tenth Judicial Circuit's expenses is 61.16 percent.

* Includes 2 part-time employees.

** Includes 5 part-time employees.

*** Includes 1 part-time employee.

**** Assistant Prosecuting Attorney is part-time.

The health center Board of Trustees entered into a lease agreement with the Farmers and Merchants Bank on December 19, 1995. The terms of the agreement called for Farmers and Merchants Bank to pay for the construction of the health center building and then lease the building to the health center for payments totaling the principal and interest due on the lease. The lease is scheduled to be paid off in 2005. The remaining principal and interest due on the lease at December 31, 1998, was $476,439 and $15,674, respectively.

The County entered into a lease agreement with Mark Twain Bank on May 15, 1995. The terms of the

agreement called for the bank to issue bonds of $3,695,000 to refund the series 1990 bonds used to construct the new jail and for the bank to lease the jail back to the county for the payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Sales Tax Fund from sales tax revenues. The bonds are scheduled to be paid off in 2003. The remaining principal and interest due on the bonds at December 31, 1998, was $2,345,000 and $362,880, respectively.

AUDIT REPORT

COLUMBIA 93 SCHOOL DISTRICT

BOONE COUNTY, MISSOURI

YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-54
August 16, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

The following findings are a result of an audit conducted by our office in response to the request of petitioners from the Columbia 93 School District, in Boone County, Missouri. The Yellow Sheet points out those findings the State Auditor found particularly noteworthy.

The school district does not always solicit bids or keep bid documentation for major purchases. While district employees indicated that in some instances bids were solicited by phone or by direct contact with vendors, documentation was not kept for some purchases.

The following are examples of expenditures the district made but could not provide bid documentation:

Item	Cost
Public Relations Services	$60,622
1998 Jeep Sport Cherokee	$20,957
Laptop Computers	$11,151

The district has used the same architectural firm for construction projects for 17 years. Although the district selected the firm through a formal selection process, the district has continued to renew the contract with this firm without periodically conducting a selection process.

The district uses various law firms for its legal services. For two of these firms, the district did not receive written price quotes or enter into a written agreement for these services and, for the past three years, the district has simply renewed its contract for audit services, rather than rebid the contract.

The school district contributes $5,000 each year to the Boone County Teachers Credit Union to assist with its costs of serving the district's teachers. In addition, the district provides services to the credit union on a reimbursement basis, such as payroll and purchasing of supplies. There is no written agreement between the credit union and the school district outlining the terms of this arrangement and specifying the services the district is to receive.

Purchase orders for food supplies are not issued and approved prior to placing orders.

(over)

The transportation contract has not been bid since 1979. Prior to contracting transportation services, the district owned and operated its own transportation system. Since changing to a contracted bus system, the district has not formally evaluated the costs and benefits of owning its system versus contracting for the services.

Adequate procedures are not in place to monitor transportation costs. Our review noted several routes in which the number of riders assigned to the buses and the number of actual riders on the count day were significantly lower than bus capacities.

While the district has begun the process of developing procedures to review and monitor bus routes, the district should continue this process to ensure all bus routes are operating efficiently. Specific routes with low ridership should be reviewed and investigated to identify any areas where costs can be reduced such as decreasing the size of the bus.

The school district operates a copy center which provides various copying and printing services to the district as well as to school related organizations such as the Parent Teacher Association (PTA). The copy center operates on a cost recovery basis and the various departments and organizations are charged based on the type and volume of services received. We recommend the School Board perform an analysis of all costs associated with the copy center and ensure the rates charged cover all operating costs.

Various schools and offices within the district maintain petty cash funds ranging from $100 to $2,500. Last year these funds totaled approximately $128,500. We found several instances in which petty cash reconciliations had not been performed and submitted to the business office. As a result, there was no documentation supporting the petty cash balance. Also, staff in the district's business office indicate they perform annual year-end cash counts of the petty cash funds; however, these cash counts are not performed on a random basis nor are they documented.

COLUMBIA 93 SCHOOL DISTRICT

BOONE COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
Columbia 93 School District
Columbia, MO 65203

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Columbia 93 School District. The school board had engaged Gerding, Korte & Chitwood, Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 1998. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. Our audit of the school district included, but was not limited to, the year ended June 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our audit of the district.

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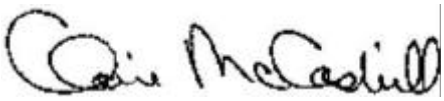
The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Columbia 93 School District.



Claire McCaskill
State Auditor

April 29, 1999

HISTORY AND ORGANIZATION

COLUMBIA 93 SCHOOL DISTRICT
BOONE COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The Columbia 93 School District is located midway between Kansas City and St. Louis at the crossroad of I-70 and U.S. Highway 63. It covers approximately 271 square miles within Boone County.

The district operates two senior high schools (10-12), an alternative high school, a vocational center (10-12), three junior high schools (8-9), three middle schools (6-7), and eighteen elementary schools (K-5). Enrollment was approximately 15,619 for the 1997-1998 school year. The district employs approximately 2,323 full and part-time employees, including 111 administrative staff, 1,501 teachers and instructional support staff, and 711 support staff.

Columbia 93 School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 1998 and their current terms of office are:

Name and Position	Current Term Expires
Elton Fay, President (1)	April 2000
David P. Ballenger, Vice President (2)	April 2002
Lynnanne Baumgardner, Member	April 2001
Dr. Kerry Crist, Member	April 2000
J.C. Headley, Member (3)	April 2001
Dr. L.D. Schoengarth, Member (2)	April 2002
Russell C. Still, Member (2)	April 2002

Other Principal Officials	Annual Compensation
Dr. C. Russell Mayo, Superintendent (4)	$ 103,950 (8)
Dr. Marjorie Spaedy, Deputy Superintendent for Administration	87,900
Dr. Bert Schulte, Assistant Superintendent for Instruction	87,200
Charles E. (Skip) Deming, Assistant Superintendent for Elementary Education (5)	85,400
Lou Barlow, Assistant Superintendent for Secondary Education (6)	85,000
Dr. Lynn Barnett, Director of Student Services	74,800
Kevan Snell, Director of Business Services	82,000
Dr. Gene Huff, Director of Personnel (7)	75,500

Dr. Kim Ratcliffe, Director of Special Education	68,500

(1) Became board president after the April 1998 election.

(2) Re-elected in April 1999 to serve a three-year term expiring in April 2002.

(3) Elected to the board in April 1998, replacing Dr. Harris Cooper.

(4) Resigned at the end of the 1997-98 school year; replaced by Dr. James Ritter in July 1998.

(5) Retired; replaced by Dr. Cheryl Cozette in July 1998.

(6) Resigned; replaced by Christopher L. Mallory in August 1998 as Assistant Superintendent for Secondary Education and School Communications.

(7) Retired; replaced by Dr. Kim Harding in July 1998.

(8) The Superintendent also received $7,250 toward a tax sheltered annuity.

Assessed valuation and tax rate information for the district are as follows:

	1998	1997
Assessed Valuation	$ 1,090,964,765	$ 1,042,836,063
Tax Rate	4.12	4.12

MANAGEMENT ADVISORY REPORT

COLUMBIA 93 SCHOOL DISTRICT
BOONE COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 8-13)

   Bids were not obtained or bid documentation retained for major purchases totaling approximately $110,000. The food service department purchase orders are not prepared and approved prior to the purchase of the items. The district has not periodically conducted a formal selection process for architectural services. Written contracts were not obtained for some services.

2. Transportation Services (pages 13-16)

   The contract with the transportation company has not been bid since 1979. The district has not performed a formal analysis of owning an in-house transportation system versus contracting the services. Some bus routes appear to have low ridership compared to bus capacities.

3. Copy Center Accounting Procedures (pages 16-17)

   Total costs associated with the copy center are not recovered through the pricing structure.

4. Petty Cash Funds (pages 17-18)

   Petty cash reconciliations were not always performed. Annual cash counts of the funds are not documented.

1. Expenditures

A. The school district does not always solicit bids or retain bid documentation for major purchases. While district employees indicated that in some instances bids were solicited through telephone quotes or other direct contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor were not retained for some purchases.

The district's procurement policy requires that formal, written bids be obtained for all purchases which involve an expenditure of more than $5,000. Price quotations may be required for expenditures of less than $5,000, at the discretion of the Director of Business Services. The policy also requires a formal bid process for construction of facilities which may exceed $12,500 as required by state law.

1) The following are examples of expenditures during the period from July 1997 through April 1999 for which the school district did not obtain bids or did not retain adequate bid documentation:

Item	Cost
Public relations services	$60,622
1998 Jeep Sport Cherokee	20,957
Laptop computers	11,151

District personnel indicated prices were solicited from various vendors for some of the items; however, documentation of these inquiries was not maintained.

2) For the past three years, the district has simply renewed their contract for audit services, rather than rebid the contract. The district selected the current audit firm through a bid process in March 1994 and awarded the firm a three year contract to perform annual audits covering the three years ending June 30, 1996. Instead of conducting another bid process at the end of the three year contract, the district has continued to renew the contract with the firm through the 1998-99 school year audit. Payments made to the firm during the year ended June 30, 1998 totaled $17,960. District employees indicated that procedures are to bid audit services every five years; however, this is not documented in the district's procurement policy.

3) The food services department received price quotes from numerous vendors for purchases made throughout the school year. During the year ended June 30, 1998, the district spent approximately $1,989,000 for food services department supplies and food.

During our review, we noted items purchased by the food services department in which the lowest bidder was not used or the invoice price did not agree to the documented price quote. The Food Services Director has indicated that rebates were received on some of the items, or the items were not available from the lowest bidder; however, adequate documentation explaining these situation was not maintained.

Written documentation of bids provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors. Bids may cover a specified time period, which should be adequately documented and justified. In addition, rebates received from vendors should be adequately documented and tracked to ensure the lowest price quote is paid. When the lowest bidder is not used, documentation justifying the selection of a different bidder should be maintained.

B. The district has used the same architectural firm for construction projects for 17 years. Although the district selected the firm through a formal selection process, the district has continued to renew the contract with this firm without periodically conducting a selection process. District employees indicated that they have compared the architect's services and rates with other firms by contacting other school districts; however, documentation of these contacts has not been maintained. Payments to the firm for the year ended June 30, 1998, totaled approximately $397,000.

The district has a policy for the selection of architectural services. The policy requires that the firms should be evaluated based on specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm’s proximity to and familiarity with the area in which the project is located. The district should periodically conduct this process to ensure it is receiving the best services and rates.

C. The school district sometimes did not enter into written contracts defining services to be provided and benefits to be received.

1) The district retains legal services from various law firms. For two of these firms, the district did not receive written price quotes or enter into a written agreement for these services. Payments to these two firms for services rendered during the 1997-98 school year totaled approximately $119,000.

For the 1998-99 school year, the district has paid these companies approximately $41,200 through April 29, 1999.

2) The school district contributes $5,000 each year to the Boone County Teachers Credit Union to assist with its costs of serving the district's teachers. In addition to the annual payment, the district provides services to the credit union on a reimbursement basis, such as payroll and purchasing of supplies and postage. During the year ended June 30, 1998, the district was reimbursed approximately $137,700 by the credit union. There is no written agreement between the credit union and the school district outlining the terms of this arrangement and specifying the services the district is to receive.

Article VI, Section 23, of the Missouri Constitution states that no political subdivision shall grant public money to any corporation or association. A written agreement is necessary to specify what services the district is receiving in exchange for the $5,000 paid each year.

In addition, the district did not enter into a contract with the public relations firm noted at A. above. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing.

D. The food services department issues purchase orders for food and supplies expenditures; however, the purchase orders are not issued and approved prior to placing the order. The school district has established formal payment procedures, requiring that approved purchase orders be written for every purchase. The food services department should ensure approved purchase orders are issued prior to ordering food and supplies.

WE RECOMMEND the School Board:

A. Retain documentation of bids received and the bid process. Policies should indicate how often bids should be obtained for certain services. In addition, if the low bidder is not used, rebates are received, or substitutions are made; the district should retain documentation of these circumstances.

B. Periodically solicit and document proposals for architectural services.

C. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.

D. Require purchase orders be prepared and approved in advance.

AUDITEE'S RESPONSE

A. The district has specific policies and procedures regarding bidding. However, occasionally, it may be more effective and efficient to make an exception to established policies and procedures. In the future, documentation and justification of exceptions to established policies and procedures will be retained. Price quotations received for items costing less than $5,000, the minimum for formal bidding, will be retained in the office of the district's purchasing agent.

1) The district does not formally bid public relations services, but rather has established a long-term relationship with one professional who is evaluated similarly to other consultants of the district in terms of quality of service and reasonable pricing of services. Price quotes are submitted annually from the provider to the district and projects are occasionally handled by other providers of such services. This helps district staff to verify quality and pricing. A satisfactory evaluation is evidenced by the continuation of the relationship.

The district has traditionally received informal quotations for vehicles for the Superintendent when issues such as immediate delivery and personal preferences are involved. Price quotations for the 1998 Jeep Cherokee Sport were obtained, but not retained, from other Jeep dealers prior to purchase. Additionally, prices were obtained for the model of Buick driven by past superintendents, and these prices were higher than the quote for the Jeep Cherokee Sport. With this competitive pricing information, the price was further negotiated with the local Jeep dealer in determining the eventual price paid for this vehicle.

The district purchased three laptop computers, at a reduced price, following board authorization. The selection of the vendor was based on established district standards for laptop computers. This particular brand of laptop was available from two sources at the time of purchase: direct from the manufacturer; or, by purchasing through the vendor with the state purchasing contract for this brand of laptop computer. The district checked prices with these sources and elected to purchase direct from the manufacturer at a reduced price, rather than use the state purchasing contract. In addition, the reliability of the vendor and satisfaction with the warranty and maintenance of equipment were justification for this purchase.

2) The district has routinely bid audit services for a three-year period, and if services were satisfactory, extended the service contract for an additional two years by action of the Board of Education. Auditors develop a working knowledge of school district procedures and operation, which allows for a more efficient audit and is less time-consuming for both the independent auditors and district staff.

Audit services are scheduled to be bid this school year for the audit of the period ending June 30, 2000. The Request for Proposals for audit services will be changed to reflect the district's practice of awarding audit services for a five-year period.

3) *Due to the specialized nature of the food service business, the Food Services Department requests, and receives, price quotations for its own departmental goods and services. The food services staff members possess the expertise and first-hand knowledge of the unique requirements of this department. The Business Office and Purchasing Agent will work with the Director of Food Services in an effort to more effectively handle documentation of bidding and retention of documentation.*

The situations identified in the State Auditor's report address relatively minor cost differences which were impacted by items not being available from the low bidder or which involved the use of rebates. However, adequate documentation was not retained for these situations. The Food Services Department has already taken corrective action to improve documentation in the areas of concern.

B. *The district selected the services of its current architect following a formal selection process. The district annually evaluates the services of the architect in terms of quality of service and reasonable pricing of services. In addition, district personnel make informal contacts with other school districts and organizations on an ongoing basis to verify market rates for these services. A satisfactory evaluation is evidenced by the continuation of the relationship with the architect.*

The district will formalize its evaluation of its primary consultants, including its architect. The district will document its process of periodically contacting other school districts and organizations for verification of market rates and services.

C. *The district maintains several relationships with consultants, or service providers, in specialized areas. These consultants, or service providers, were selected for their particular expertise in a special field, such as public relations, special education law, and personnel and employee benefits. These relationships have developed and been maintained over a long period of time due to the exceptional services provided the district.*

The district will formalize the services being provided in these circumstances through written agreements, outlining fees and services.

1) *The district retains legal services from four law firms. Two firms, provide services to the district as a result of a selection process, and the services are outlined in written agreements. Two additional firms provide services to the district in very specialized areas. One firm represents the district on special education issues, and the other firm provides counsel concerning personnel and employee benefits. These firms are used less frequently in dealing with specific issues in the areas indicated.*

Significant payments have been made to the firm handling special education issues in the last 12 to 18 months due to one case. However, insurance coverage partially offset the total expenses and the insurance company negotiated the fee for this case.

The services provided and fees charged by these firms will be formalized by written agreement.

2) *The Boone County Teachers Credit Union has been in existence for approximately 60 years. It was organized by employees of the district for the benefit of district employees and was operated entirely within the district's business office as an additional function, or service, of the business office. This arrangement was followed for approximately the first 50 years of the Credit Union's existence. However, due to the growth of the Credit Union in the late 1980's and the increasing time and space requirements of the Credit Union, it was difficult to maintain its operation within the business office. The Credit Union moved to a separate location and is self-sufficient in its operations.*

The district continues to contribute a minimal amount ($5,000) annually to the Credit Union for its operations due to the benefit provided to district employees. Such arrangements are common between organizational sponsors and credit unions, and contributions may be as much as 100 percent of the credit union's operating cost.

The district will formalize its relationship with the Boone County Teachers Credit Union by a written agreement.

D. *The district currently requires purchase orders to be prepared and approved in advance of purchases, with the exception of certain purchases handled by the Food Services Department. This exception is due to the volume of purchasing in this department on a daily basis. It is often necessary to change an order or order from another vendor when food items are either not available or not available in the necessary quantities. This type of purchasing does not lend itself to issuance of purchase orders, with multiple levels of approval.*

The district will review the purchasing process of the Food Services Department and implement this recommendation whenever possible. Allowable exceptions to standard district policies and procedures will be documented to avoid the appearance of noncompliance.

2. Transportation Services

The school district contracts with a transportation company to provide bus transportation for its students. During the year ended June 30, 1998, the contractor served 304 routes traveling approximately 11,500 miles per day in addition to providing transportation for other district activities such as sporting events and field trips. During this time period, payments totaling approximately $3,800,000 were made to the transportation company. We noted the following areas of concern during our review of this contract:

A. The transportation contract has not been bid since 1979. The district has periodically renegotiated a contract with the transportation company, without seeking bids from other companies. The current transportation contract covers school years 1996-97 through 2000-01. Without periodically bidding transportation services, the district cannot ensure it is paying the lowest possible rate.

B. Prior to contracting transportation services, the district owned and operated its own transportation system. Since changing to a contracted bus system, the district has not formally evaluated the costs and benefits of owning its system versus contracting for the services. Recently, a group of University of Missouri MBA students performed an informal analysis of the district's current transportation system. Their evaluation indicated that by changing to an in-house system, the district would save money. The district indicated this analysis was unsolicited and was only an initial step in the process to set up a model to use in further evaluation and that the analysis was not accurate in several respects. The district, however, has not performed a complete evaluation of this analysis or their current transportation situation. Regular review and comparison of transportation services and costs is necessary to ensure that the district is providing transportation at the lowest possible cost.

C. Adequate procedures are not in place to monitor transportation costs. As required by contract, the district compensates the bus company based on the number and size of buses used during the day. The daily per-bus rates for the year ended June 30, 1998 ranged from approximately $145 to $167 for regular bus routes.

The district delegates the responsibility of preparing the bus routes to the transportation company and the school board approves the route listings at the beginning of the school year. The district is required by the Missouri Department of Elementary and Secondary Education to take a count of students transported on the second Wednesday of October and February during the school year. We reviewed seven 1998-99 school year bus routes, comparing the number of riders counted by the district on February 10, 1999 to the manufacturer's rated capacity for the buses. Our review noted several routes in which the number of riders assigned to the buses and the number of actual riders on the count day were significantly lower than bus capacities.

Route Number	Bus Capacity*	Assigned Riders	Actual Riders
3A	71	60	34
3B	84	70	43
14A	60	47	41
14B	71	44	27
60A	60	37	16
60B	71	32	30

* Bus capacities for secondary students were adjusted to 85 percent of full capacity which is the maximum set by the contract with the transportation company.

The district has noted various reasons for a low ridership compared to bus capacity. These reasons include: similar route itineraries and locations are used for elementary and secondary students, thus a larger bus may be needed for one route than the other; a smaller bus capacity is used for secondary routes, assigning two students to a seat rather than three; and the contractor has a limited supply of smaller buses available for transporting the students. As a result of our review, the district reduced route numbers 3A and 3B to a 71 capacity bus rather than an 84 capacity bus.

While the district has begun the process of developing procedures to review and monitor bus routes, the district should continue this process to ensure all bus routes are operating efficiently. Specific routes with low ridership should be reviewed and investigated to identify any areas where costs can be reduced such as decreasing the size of the bus.

WE RECOMMEND the School Board:

A. Regularly solicit competitive bids for the transportation contract.

B. Perform a cost analysis of owning versus contracting transportation services and identify a system with the best cost-benefit for the district.

C. Conduct a thorough evaluation of the bus routes and determine ways to increase efficiency and reduce costs.

AUDITEE'S RESPONSE

A. The district operation of student transportation services was discontinued in 1976 due to an aged bus fleet and a management team that was unable to satisfactorily meet the demands of a service-oriented district. Since that time, the district has contracted for student transportation services with professional student transportation companies, bidding the services on two occasions. Services obtained from the first contractor were not satisfactory and a second bid process was necessary to obtain services that have been relatively satisfactory over the years. On an ongoing basis, district administrators have followed costs of student transportation using extensive statistical information from the state school transportation office and through contacts with other school districts. This has resulted in renegotiation of contracts believed to reflect the lowest possible cost for the services required.

The district has believed that once satisfactory services and relationships have been established with a transportation company, it may be more cost-effective to knowledgeably and strategically negotiate additional contracts with the established company. Engaging in

a bid process may allow the current contractor to submit a bid price higher than the negotiated price, but lower than other bidders, knowing that new companies must submit bid prices which reflect start-up costs that include a new fleet of 150 or more buses, management teams, driver employees, a bus maintenance shop, and other considerations that could inflate bid prices. It may also be difficult and unnecessary to experience the disruption of an established and refined system without being reasonably certain that significant savings and similar or better quality will be realized in the process. A new contractor may require several years to become acquainted with the makeup, needs, and expectations of the district and its patrons.

In 1995, the district entered into a new contract with the current contractor which extends through the 2000-01 school year. The board has expressed its intention to bid the contract for student transportation services if the district continues to contract these services.

B. *During the fall of the past school year, the district began informal/preliminary discussions of the advantages and disadvantages of operating a district-owned transportation system as opposed to contracting with an outside provider. During the upcoming school year the district will continue these discussions, acquiring up-to-date costs and other pertinent information which is as current as possible and, therefore, as useful as possible. This will allow the board to consider the results of the analysis in any decision it makes regarding student transportation.*

C. *The school district hired a Director of Transportation, effective August 1998, for the purpose of working closely with and monitoring the procedures of the transportation company. At this time, a formalized monitoring system, piloted during the past year, will allow the transportation director to monitor efficiency in a much-improved manner. During the past school year, it was possible to reduce the number of buses by 7.5 as well as the size of two buses as a result of such monitoring.*

Six bus routes were identified by the auditors as having significantly lower ridership on a specific day than bus capacities would allow. The transportation contract requires that routes be designed so that no student rides more than one hour. The contract also stipulates that routes for grades 8-12 be assigned passengers at 85 percent of their listed capacity. The six routes referenced by the auditor were for Lange Middle School, Oakland Junior High School, Parkade Elementary School, and Cedar Ridge Elementary School, schools where buses pick up students in the district's more rural areas. In a specific check of the six routes, it was found that more students could not be added to these buses without causing some students to ride more than the one hour limit. In the case of routes 3A and 3B, it was possible to reduce the capacity of buses being used for 84 passengers to 71, a savings of $8 per day for each bus. The district will continue to develop and use monitoring procedures on an ongoing basis which ensure maximum cost effectiveness.

3.	**Copy Center Accounting Procedures**

The school district operates a copy center which provides various copying and printing services to the district as well as to school related organizations such as the Parent Teacher Associations. The copy center operates on a cost recovery basis and the various departments and organizations are charged based on the type and volume of services received.

The district does not include all operating costs in the cost recovery calculation. Each year the district determines the copy center rates based on the cost of supplies and equipment lease payments. Salaries and benefits totaling approximately $46,600 are not included in the calculation. In addition, the depreciation expense of equipment owned by the district is not calculated and included in the rate calculation. As a result, the copy center does not operate on a break even basis. For the year ended June 30, 1998, copy center expenditures exceeded revenues by approximately $36,900.

To ensure the district does not incur a loss from copy center services, the rate calculation should include all operating costs of the copy center including salaries, benefits, and depreciation.

WE RECOMMEND the School Board perform an analysis of all costs associated with the copy center and ensure the rates charged cover all operating costs.

AUDITEE'S RESPONSE

Originally, the copy center was part of the district's vocational program until student interest and state funding became insufficient to maintain the program. At that time, the district continued operation of the copy center for district purposes as an alternative to the often higher costs of outside print services.

The operation of the copy center was never intended to recover all costs of operation. Rather, it was to provide an offset of direct operational expenses (services and supplies) and, with a district subsidy to partially offset indirect expenses (salaries and benefits), the end result was to be an overall savings for the district for printing and copying. The operation of the copy center is limited to departments of the district and related groups (related groups include Parent-Teacher organizations, employee groups, etc., and account for less than six percent of operations during fiscal year 1998-99). The amount of the subsidy was increased, intentionally, in recent years as an incentive for departments and schools to use the copy center rather than outside vendors.

The district will periodically review and analyze the operations of the copy center to ensure the district is realizing a savings by its operation. If so, the district will document its position of whether this is an enterprise activity or service activity, with a partial offset of operating expenses.

4. Petty Cash Funds

Various schools and offices within the district maintain petty cash funds ranging from $100 to $2,500. Reimbursements to these petty cash funds for the year ended June 30, 1998,

totaled approximately $128,500. Our review of the district's petty cash funds noted the following areas of concern:

A. As required by the district's written petty cash procedures, the petty cash funds are replenished on an imprest basis back to the established fund balance on a periodic basis. To document that the funds are maintained on an imprest basis, each petty cash secretary prepares a reconciliation of the cash remaining, outstanding vouchers, and paid vouchers to the petty cash account balance. This reconciliation is prepared and submitted to the business office along with the reimbursement form and invoices when requesting a reimbursement to the petty cash fund.

   Our review of petty cash reimbursements noted several instances in which the petty cash reconciliation had not been performed and submitted to the business office. As a result, there was no documentation supporting the petty cash balance. Maintaining petty cash funds on an imprest basis helps ensure the money is handled properly.

B. Business office staff indicate they perform annual year-end cash counts of the petty cash funds; however, these cash counts are not performed on a random basis and are not documented. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to prevent these monies from being misused.

WE RECOMMEND the School Board:

A. Ensure petty cash reconciliations are performed and submitted to the business office with each petty cash reimbursement request as required by district policy.

B. Perform random cash counts on petty cash funds and maintain documentation of these cash counts.

AUDITEE'S RESPONSE

A. The district's procedures require that a petty cash reconciliation form be prepared and submitted with the request for petty cash reimbursement. Exceptions to this requirement were noted during the time period reviewed by the State Auditor's office. These exceptions were the result of a change in personnel handling petty cash and a misunderstanding that the reconciliation form is to be submitted as part of the documentation for reimbursement.

Personnel handling petty cash transactions in the district have been reminded of district procedures for petty cash. In addition, personnel reviewing petty cash reimbursements now include the petty cash reconciliation form as part of their routine review. However, it should be noted that the district requires extensive documentation and approval of petty cash disbursements. The reconciliation form is only a minimal part of the internal control procedures for petty cash transactions.

B. *The business office routinely reconciles petty cash accounts as a part of the district's year-end closing procedures. The business office will increase the number of reconciliations it performs on a random basis, dependent on the size and activity of the account. Documentation of these petty cash counts/reconciliations will be maintained.*

This report is intended for the information of the school board and district's management. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

CLARK COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-53
August 13, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Clark, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Clark County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The former sheriff paid $12,000 to a deputy to purchase a new drug dog and to cover any travel or training expenses that he incurred. Documentation such as invoices or bid proposals was not obtained from the deputy to support the disbursement.

- Actions of the Salary Commission were not supported by a written opinion from the Prosecuting Attorney.

- Receipts totaling $2,010 were not deposited to the Circuit Clerks fee account. See Special Review Audit on Clark County Circuit Clerk, #99-46.

<u>Copies of the audit are available upon request</u>

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Clark County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Clark County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Clark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Clark County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Clark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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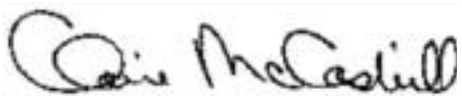
Clark County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Clark County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Clark County, Missouri

We have audited the special-purpose financial statements of various funds of Clark County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Clark County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Clark County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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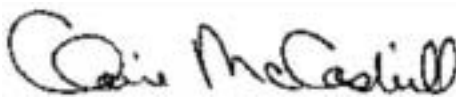
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Clark County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	2,440	727,877	726,653	3,664
Special Road and Bridge		15,329	990,895	1,005,749	475
Assessment		15,760	66,451	65,762	16,449
Law Enforcement Training		1,589	3,704	5,023	270
Prosecuting Attorney Training		320	1,046	947	419
Health Center		421,973	544,103	414,898	551,178
1/2 Cent Sales Tax Road and Bridge		11,266	172,058	182,595	729
Recorder User Fee		155	3,328	2,456	1,027
Prosecuting Attorney Bad Check		360	3,966	289	4,037
Domestic Violence		916	420	1,056	280
Use Tax		498	0	498	0
Community Service		4,338	12,305	8,907	7,736
Multi-County Child Support		940	0	397	543
Local Emergency Planning Committee		4,675	6,100	3,035	7,740
Clark County Crime Victims Assistance		0	4,599	5,190	-591
1/2 Cent Sales Tax Jail Construction		66,067	170,952	148,201	88,818
1/2 Cent Sales Tax Jail Operation		0	106,566	102,977	3,589
Peace Officer Standards and Training		652	734	1,386	0
FY98 Local Records		2,660	1,559	3,719	500
Law Enforcement Support Fund		9,252	34	7,262	2,024
Buyout		842	15,558	0	16,400
FEMA Demolition		2,775	20	2,776	19
DARE		153	865	1,018	0
Clark County Youth Fund		0	24,604	22,850	1,754
Sheriff Civil Fees		0	4,758	0	4,758
Law Library		2,240	2,021	2,965	1,296
Associate Circuit Division Interest		593	933	309	1,217
Probate Division Interest		435	94	172	357
Circuit Clerk Interest		2,873	3,418	3,621	2,670
Total	$	569,101	2,868,968	2,720,711	717,358

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,994	784,839	784,393	2,440
Special Road and Bridge		583	1,832,446	1,817,700	15,329
Assessment		11,895	68,528	64,663	15,760
Law Enforcement Training		1,972	2,600	2,983	1,589
Prosecuting Attorney Training		335	1,044	1,059	320
Health Center		285,947	527,300	391,274	421,973
1/2 Cent Sales Tax Road and Bridge		60	173,106	161,900	11,266
Recorder User Fee		0	3,405	3,250	155
Prosecuting Attorney Bad Check		321	4,583	4,544	360
Domestic Violence		456	460	0	916
Use Tax		498	0	0	498
Community Service		1,796	11,797	9,255	4,338
Multi-County Child Support		1,378	0	438	940
Local Emergency Planning Committee		5,467	0	792	4,675
1/2 Cent Sales Tax Jail Construction		69,556	172,691	176,180	66,067
Local Law Enforcement Block Grant		0	3,807	3,807	0
Peace Officer Standards and Training		0	652	0	652
FY98 Local Records		0	2,660	0	2,660
Law Enforcement Support Fund		0	21,711	12,459	9,252
Buyout		8,459	0	7,617	842
FEMA Demolition		1,584	1,191	0	2,775
DARE		213	1,786	1,846	153
Law Library		1,263	2,028	1,051	2,240
Associate Circuit Division Interest		669	895	971	593
Probate Division Interest		279	163	7	435
Circuit Clerk Interest		0	2,873	0	2,873
Total	$	394,725	3,620,565	3,446,189	569,101

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 227,398	219,019	-8,379	214,323	250,423	36,100
Sales taxes	174,000	172,062	-1,938	157,000	173,105	16,105
Intergovernmental	129,151	99,087	-30,064	143,709	119,102	-24,607
Charges for services	143,452	149,293	5,841	139,675	141,319	1,644
Interest	15,000	9,534	-5,466	16,000	12,013	-3,987
Other	68,694	53,780	-14,914	40,480	31,197	-9,283
Transfers in	47,497	25,102	-22,395	57,680	57,680	0
Total Receipts	805,192	727,877	#VALUE!	768,867	784,839	#VALUE!
DISBURSEMENTS						
County Commission	41,917	41,856	61	42,459	41,239	1,220
County Clerk	49,765	48,180	1,585	32,174	32,285	-111
Elections	21,958	12,162	9,796	2,660	2,500	160
Buildings and grounds	40,880	30,155	10,725	42,517	36,476	6,041
Employee fringe benefits	5,590	3,727	1,863	3,843	8,094	-4,251
County Treasurer	20,649	19,617	1,032	19,019	18,861	158
County Collector	57,203	55,860	1,343	56,632	55,525	1,107
Circuit Clerk and Ex Officio Recorder of Deeds	37,849	31,507	6,342	37,687	38,427	-740
Associate Circuit Court	5,950	5,419	531	5,750	5,753	-3
Court administration	5,385	4,262	1,123	6,192	5,744	448
Public Administrator	6,613	5,177	1,436	8,554	7,690	864
Sheriff	200,008	206,676	-6,668	182,889	226,092	-43,203
Jail	64,427	66,852	-2,425	88,270	102,501	-14,231
Prosecuting Attorney	48,289	46,973	1,316	46,069	47,738	-1,669
Juvenile Officer	42,496	35,615	6,881	39,275	33,219	6,056
County Coroner	5,749	3,916	1,833	6,583	4,020	2,563
Other general government	43,398	39,331	4,067	43,089	41,972	1,117
Court Reporter	850	1,022	-172	800	338	462
Safe and sober grant	4,000	1,875	2,125	6,000	0	6,000
Cops more grant	13,000	12,361	639	12,000	12,597	-597
Cops universal grant	50,000	49,566	434	79,000	49,057	29,943
Drug enforcement grant	7,500	1,244	6,256	6,000	7,400	-1,400
Transfers out	10,000	500	9,500	0	0	0
Emergency Fund	24,156	2,800	21,356	23,066	6,865	16,201
Total Disbursements	807,632	726,653	80,979	790,528	784,393	6,135
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,440	1,224	#VALUE!	-21,661	446	#VALUE!
CASH, JANUARY 1	2,440	2,440	0	1,661	1,994	333
CASH, DECEMBER 31	$ 0	3,664	#VALUE!	-20,000	2,440	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 358,416	391,302	32,886	355,867	372,716	16,849
Intergovernmental	962,243	578,256	-383,987	1,373,504	1,352,430	-21,074
Interest	10,000	6,565	-3,435	14,300	7,135	-7,165
Other	14,000	14,772	772	179,000	100,165	-78,835
Total Receipts	1,344,659	990,895	-353,764	1,922,671	1,832,446	-90,225
DISBURSEMENTS						
Salaries	360,000	366,401	-6,401	310,000	333,775	-23,775
Employee fringe benefits	95,200	102,507	-7,307	90,000	91,319	-1,319
Supplies	81,020	87,165	-6,145	85,500	78,522	6,978
Insurance	15,350	16,799	-1,449	14,400	15,159	-759
Road and bridge materials	181,000	206,401	-25,401	248,000	189,843	58,157
Equipment repairs	81,705	85,556	-3,851	95,000	70,894	24,106
Equipment purchases	15,000	2,846	12,154	15,000	27,868	-12,868
Construction, repair, and maintenance	479,600	112,482	367,118	995,000	940,744	54,256
Other	11,500	5,988	5,512	10,250	11,896	-1,646
Transfers out	39,611	19,604	20,007	57,680	57,680	0
Total Disbursements	1,359,986	1,005,749	354,237	1,920,830	1,817,700	103,130
RECEIPTS OVER (UNDER) DISBURSEMENTS	-15,327	-14,854	473	1,841	14,746	12,905
CASH, JANUARY 1	15,329	15,329	0	936	583	-353
CASH, DECEMBER 31	$ 2	475	473	2,777	15,329	12,552

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 64,400	63,989	-411	63,000	65,903	2,903
Interest	1,826	1,744	-82	2,200	1,629	-571
Other	803	718	-85	700	976	276
Total Receipts	67,029	66,451	-578	65,900	68,508	2,608
DISBURSEMENTS						
Assessor	65,934	60,762	5,172	60,934	64,663	-3,729
Transfers out	5,000	5,000	0	5,000	0	5,000
Total Disbursements	70,934	65,762	5,172	65,934	64,663	1,271
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,905	689	4,594	-34	3,845	3,879
CASH, JANUARY 1	15,740	15,740	0	11,876	11,895	19
CASH, DECEMBER 31	$ 11,835	16,429	4,594	11,842	15,740	3,898

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,300	3,704	404	4,100	2,600	-1,500
Total Receipts	3,300	3,704	404	4,100	2,600	-1,500
DISBURSEMENTS						
Sheriff	4,889	5,023	-134	6,072	2,983	3,089
Total Disbursements	4,889	5,023	-134	6,072	2,983	3,089
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,589	-1,319	270	-1,972	-383	1,589
CASH, JANUARY 1	1,589	1,589	0	1,972	1,972	0
CASH, DECEMBER 31	$ 0	270	270	0	1,589	1,589

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 1,200	1,046	-154	1,600	1,044	-556
Total Receipts	1,200	1,046	-154	1,600	1,044	-556
DISBURSEMENTS						
Prosecuting Attorney	1,200	947	253	1,800	1,059	741
Total Disbursements	1,200	947	253	1,800	1,059	741
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	99	99	-200	-15	185
CASH, JANUARY 1	320	320	0	335	335	0
CASH, DECEMBER 31	$ 320	419	99	135	320	185

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 60,000	65,199	5,199	60,000	60,334	334
Intergovernmental	114,365	99,340	-15,025	88,640	93,007	4,367
Charges for services	210,000	354,669	144,669	211,500	352,928	141,428
Interest	11,000	17,187	6,187	9,500	12,826	3,326
Other	14,000	7,708	-6,292	21,000	8,205	-12,795
Total Receipts	409,365	544,103	134,738	390,640	527,300	136,660
DISBURSEMENTS						
Salaries and employee fringe benefits	271,250	271,167	83	254,350	259,823	-5,473
Contracted personnel	57,000	49,751	7,249	45,000	54,661	-9,661
Office expenditures	33,685	41,529	-7,844	22,500	25,255	-2,755
Equipment	9,000	6,796	2,204	5,850	5,108	742
Mileage and training	27,000	22,438	4,562	21,000	21,790	-790
Other	33,800	23,217	10,583	25,250	24,637	613
Total Disbursements	431,735	414,898	16,837	373,950	391,274	-17,324
RECEIPTS OVER (UNDER) DISBURSEMENTS	-22,370	129,205	151,575	16,690	136,026	119,336
CASH, JANUARY 1	22,500	421,973	399,473	195,898	285,947	90,049
CASH, DECEMBER 31	$ 130	551,178	551,048	212,588	421,973	209,385

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
1/2 CENT SALES TAX ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 174,000	172,058	-1,942	162,000	173,106	11,106
Total Receipts	174,000	172,058	-1,942	162,000	173,106	11,106
DISBURSEMENTS						
Lease equipment	100,000	97,682	2,318	79,600	74,121	5,479
Rock	85,266	84,913	353	82,400	82,347	53
Fuel and oil	0	0	0	0	4,824	-4,824
Repairs and maintenance	0	0	0	0	608	-608
Total Disbursements	185,266	182,595	2,671	162,000	161,900	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	-11,266	-10,537	729	0	11,206	11,206
CASH, JANUARY 1	11,266	11,266	0	60	60	0
CASH, DECEMBER 31	$ 0	729	729	60	11,266	11,206

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 3,475	3,308	-167	3,650	3,392	-258
Interest	25	20	-5	40	13	-27
Total Receipts	3,500	3,328	-172	3,690	3,405	-285
DISBURSEMENTS						
Ex Officio Recorder of Deeds	3,655	2,456	1,199	3,690	3,250	440
Total Disbursements	3,655	2,456	1,199	3,690	3,250	440
RECEIPTS OVER (UNDER) DISBURSEMENTS	-155	872	1,027	0	155	155
CASH, JANUARY 1	155	155	0	0	0	0
CASH, DECEMBER 31	$ 0	1,027	1,027	0	155	155

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 4,970	3,945	-1,025	5,265	4,555	-710
Interest	30	21	-9	0	28	28
Total Receipts	5,000	3,966	-1,034	5,265	4,583	-682
DISBURSEMENTS						
Prosecuting Attorney	4,710	289	4,421	5,275	4,544	731
Total Disbursements	4,710	289	4,421	5,275	4,544	731
RECEIPTS OVER (UNDER) DISBURSEMENTS	290	3,677	3,387	-10	39	49
CASH, JANUARY 1	360	360	0	321	321	0
CASH, DECEMBER 31	$ 650	4,037	3,387	311	360	49

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 500	420	-80	453	460	7
Total Receipts	500	420	-80	453	460	7
DISBURSEMENTS						
Transfers out	1,416	1,056	360	909	0	909
Total Disbursements	1,416	1,056	360	909	0	909
RECEIPTS OVER (UNDER) DISBURSEMENTS	-916	-636	280	-456	460	916
CASH, JANUARY 1	916	916	0	456	456	0
CASH, DECEMBER 31	$ 0	280	280	0	916	916

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Transfers out	498	498	0	0	0	0
Total Disbursements	498	498	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-498	-498	0	0	0	0
CASH, JANUARY 1	498	498	0	498	498	0
CASH, DECEMBER 31	$ 0	0	0	498	498	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY SERVICE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 12,000	12,305	305	8,704	11,797	3,093
Total Receipts	12,000	12,305	305	8,704	11,797	3,093
DISBURSEMENTS						
Salaries	14,338	7,910	6,428	9,300	9,115	185
Office expenditures	1,000	0	1,000	200	140	60
Tools	1,000	0	1,000	1,000	0	1,000
Miscellaneous	0	598	-598	0	0	0
Insurance	0	399	-399	0	0	0
Total Disbursements	16,338	8,907	7,431	10,500	9,255	1,245
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,338	3,398	7,736	-1,796	2,542	4,338
CASH, JANUARY 1	4,338	4,338	0	1,796	1,796	0
CASH, DECEMBER 31	$ 0	7,736	7,736	0	4,338	4,338

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MULTI-COUNTY CHILD SUPPORT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Mileage and training	0	0	0	237	0	237
Office supplies	0	0	0	272	0	272
Other	694	0	694	40	438	-398
Equipment	0	397	-397	70	0	70
Total Disbursements	694	397	297	619	438	181
RECEIPTS OVER (UNDER) DISBURSEMENTS	-694	-397	297	-619	-438	181
CASH, JANUARY 1	940	940	0	1,378	1,378	0
CASH, DECEMBER 31	$ 246	543	297	759	940	181

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 4,073	6,000	1,927	2,600	0	-2,600
Other	0	100	100	0	0	0
Total Receipts	4,073	6,100	2,027	2,600	0	-2,600
DISBURSEMENTS						
Office expenditures	0	0	0	0	58	-58
Miscellaneous	6,337	0	6,337	8,000	734	7,266
Salaries	2,411	3,035	-624	0	0	0
Total Disbursements	8,748	3,035	5,713	8,000	792	7,208
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,675	3,065	7,740	-5,400	-792	4,608
CASH, JANUARY 1	4,675	4,675	0	5,467	5,467	0
CASH, DECEMBER 31	$ 0	7,740	7,740	67	4,675	4,608

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CLARK COUNTY CRIME VICTIMS ASSISTANCE PROGRAM FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 10,278	3,543	-6,735
Transfers in	0	1,056	1,056
Total Receipts	10,278	4,599	-5,679
DISBURSEMENTS			
Salaries	9,500	5,051	4,449
Office expenditures	778	139	639
Total Disbursements	10,278	5,190	5,088
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-591	-591
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	-591	-591

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
1/2 CENT SALES TAX JAIL CONSTRUCTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	$ 174,000	170,952	-3,048	162,000	172,691	10,691
Total Receipts	174,000	170,952	-3,048	162,000	172,691	10,691
DISBURSEMENTS						
Advertising	0	0	0	0	45	-45
Design and engineering	0	9,079	-9,079	30,000	15,611	14,389
Bond payment	130,000	129,064	936	155,000	111,790	43,210
Contracts	0	0	0	25,000	0	25,000
Miscellaneous	20,000	0	20,000	21,556	40,144	-18,588
Utilities	0	0	0	0	1,677	-1,677
Equipment	0	10,058	-10,058	0	1,875	-1,875
Telephone	0	0	0	0	2,553	-2,553
Title insurance	0	0	0	0	2,485	-2,485
Mules program	4,000	0	4,000	0	0	0
Total Disbursements	154,000	148,201	5,799	231,556	176,180	55,376
RECEIPTS OVER (UNDER) DISBURSEMENTS	20,000	22,751	2,751	-69,556	-3,489	66,067
CASH, JANUARY 1	66,067	66,067	0	69,556	69,556	0
CASH, DECEMBER 31	$ 86,067	88,818	2,751	0	66,067	66,067

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL LAW ENFORCEMENT BLOCK GRANT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 3,807	3,807	0
Total Receipts	3,807	3,807	0
DISBURSEMENTS			
Equipment	3,807	3,807	0
Total Disbursements	3,807	3,807	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
1/2 CENT JAIL SALES TAX OPERATION FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales tax	$ 117,000	106,566	-10,434
Total Receipts	117,000	106,566	-10,434
DISBURSEMENTS			
Salaries	45,600	97,504	-51,904
Office expenditures	7,200	0	7,200
Equipment	13,000	3,097	9,903
Mileage	100	0	100
Other	51,100	2,376	48,724
Total Disbursements	117,000	102,977	14,023
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,589	3,589
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	3,589	3,589

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PEACE OFFICER STANDARDS AND TRAINING FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,000	734	-266
Total Receipts	1,000	734	-266
DISBURSEMENTS			
Sheriff	1,652	1,386	266
Total Disbursements	1,652	1,386	266
RECEIPTS OVER (UNDER) DISBURSEMENTS	-652	-652	0
CASH, JANUARY 1	652	652	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FY 98 LOCAL RECORDS FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,140	1,059	-81
Transfers in	0	500	500
Total Receipts	1,140	1,559	419
DISBURSEMENTS			
Miscellaneous	3,800	3,719	81
Total Disbursements	3,800	3,719	81
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,660	-2,160	500
CASH, JANUARY 1	2,660	2,660	0
CASH, DECEMBER 31	$ 0	500	500

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SUPPORT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	$ 9,500	9,592	92
Total Receipts	9,500	9,592	92
DISBURSEMENTS			
Equipment	4,500	0	4,500
K-9 and training	5,000	6,500	-1,500
Veterinary charges	0	172	-172
Training	0	173	-173
Miscellaneous	0	417	-417
Total Disbursements	9,500	7,262	2,238
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,330	2,330
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	2,330	2,330

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CLARK COUNTY YOUTH FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 20,000	24,604	4,604
Total Receipts	20,000	24,604	4,604
DISBURSEMENTS			
Youth programs	20,000	22,850	-2,850
Total Disbursements	20,000	22,850	-2,850
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,754	1,754
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	1,754	1,754

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 1,700	2,021	321
Total Receipts	1,700	2,021	321
DISBURSEMENTS			
Books	3,940	2,965	975
Total Disbursements	3,940	2,965	975
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,240	-944	1,296
CASH, JANUARY 1	2,240	2,240	0
CASH, DECEMBER 31	$ 0	1,296	1,296

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Supplementary Schedule

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Clark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Buyout Fund	1998 and 1997
FEMA Demolition Fund	1998 and 1997
DARE Fund	1998 and 1997
Sheriff's Civil Fees Fund	1998
Associate Circuit Division Interest Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
FY98 Local Records Fund	1997
Law Enforcement Support Fund	1997
Peace Officer Standards and Training Fund	1997

Law Library Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	1998
Clark County Youth Fund	1998
Health Center Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1997. However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Sheriff's Civil Fees Fund	1998
Buyout Fund	1998 and 1997
FEMA Demolition Fund	1998 and 1997
DARE Fund	1998 and 1997
Law Library Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Law Enforcement Support Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a

written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and health center's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's or health center's custodial banks, respectively, in the county's or health center's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $71,115 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $37,503. As of December 31, 1998, $14,067 remains to be paid.

Supplementary Schedule

Schedule 1

CLARK COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Health -			
	Special Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	ER0045-7122	$ 20,144	16,665
		ER0045-8122		
		ER0045-9122		
10.unknown	Passed through:			
	Northeast Missouri Area Agency on Aging	N/A	0	3,523
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
	Community Development Block Grants/State's			
14.2	Program	95-PF-11	0	3,966
		94-DR-27	0	3,300
	Program Total		0	7,266
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
	Public Safety Partnership and			
16.7	Community Policing ("Cops") Grants	95UMWX035	49,566	49,057
		96UMWX035		
		95CMWX0142	12,361	12,597
	Program Total		61,927	61,654
16.6	Passed through:			
	State Department of Public Safety -			
	Crime Victim Assistance	97VOCA0019	3,543	0
16.6	Local Law Enforcement Block Grants Program		0	3,807
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,244	7,400
	U.S. DEPARTMENT OF LABOR			
	Passed through state Division of Job Development			
17.3	and Training -	N/A	0	1,206

	Job Training Partnership Act				
	U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and				
20.2	Transportation Commission -				
	Off-System Bridge Replacement and				
	Rehabilitation Program				
		BRO-023 (10)		0	437,020
		BRO-023 (11)		33,441	296,496
		BRO-023 (12)		9,638	198,887
		BRO-023 (13)		47,026	0
		BRO-023 (14)		16,327	0
	Program Total			106,432	932,403
::					
	Passed through Department of Public Safety -				
20.6	Alcohol Traffic Safety and Drunk Driving Prevention	96J70324		1,876	0
	Incentive Grants				
	GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -				
39.0	Donation of Federal Surplus Personal Property	N/A		1,455	1,474
	FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety -				
	Emergency Management -				
83.5	Public Assistance Grants			0	12,635
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:				
93.3	Department of Health -				
	Immunization Grants	PG0064-8122 IAP		3,200	2,770
		PG0064-9122 IAP			
	Department of Social Services -				
93.6	Child Support Enforcement	N/A		1,138	1,563
	Department of Health -				
93.6	Child Care and Development Block Grant	ERO146-9122 CCH		713	0
	Maternal and Child Health Services:				
94.0	Block Grant to the States	ERO146-7122 MCH		10,201	9,545
		ERO146-8122 MCH			
		ERO146-9122 MCH			
	Family Planning Services	ERO175-7122 FP		8,100	3,990
		ERO175-8122 FP			
		ERO175-9122 FP			
	Program Total			18,301	13,535
	Total Expenditures of Federal Awards		$	219,973	1,065,901

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

CLARK COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Clark County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Clark County, Missouri

Compliance

We have audited the compliance of Clark County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Clark County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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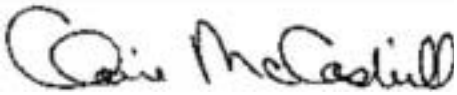
Internal Control Over Compliance

The management of Clark County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Clark County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Schedule

CLARK COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes __x__ no

Reportable condition identified that is not considered to be a material weakness? _____ yes __x__ none reported

Noncompliance material to the financial statements noted? _____ yes __x__ no

Federal Awards

Internal control over major program:

Material weakness identified? _____ yes __x__ no

Reportable condition identified that is not considered to be a material weakness? _____ yes __x__ none reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes __x__ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CLARK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

CLARK COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

5. Federal Financial Assistance

A. Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity Identifying Number: BRO-023
Award Year: 1996
Questioned Costs: Not Applicable

The county had not established cash management procedures to ensure the minimum time elapsed between its receipt of federal project monies and the disbursement of such monies to contractors. We noted eight reimbursements totaling $193,690 which the county held from 7 to 49 days before the related payments were made.

C. Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: Not Applicable
Federal CFDA Number: 16.710
Program Title: Public Safety Partnership and Community Policing ("COPS") Grants
Pass-Through Entity Identifying Number: 95UMWX035
Award Year: 1995
Questioned Costs: $34,398

Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: Not Applicable
Federal CFDA Number: 16.710

Program Title: Public Safety Partnership and Community Policing ("COPS") Grants
Pass-Through Entity Identifying Number: 95CMWX0142
Award Year: 1995
Questioned Costs: $14,376

Federal Grantor: Not Applicable
Pass-Through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 20.601
Program Title: Highway Safety - Safe and Sober Program
Pass-Through Entity Identifying Number: 95J70338, 96J60214
Award Year: 1996, 1995
Questioned Costs: $5,473

Federal Grantor: Not Applicable
Pass-Through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 20.601
Program Title: Highway Safety- Sobriety Checkpoint Program
Pass-Through Entity Identifying Number: 96J700324
Award Year: 1996
Questioned Costs: $1,802

Although a comprehensive schedule was used by the Sheriff's office for payroll purposes, time sheets were not prepared. Since the salaries reimbursed through four federal grants had inadequate supporting documentation we questioned costs of $34,398 from COPS Universal, $14,376 from "COPS", $5,473 from Safe and Sober, and $1,802 from Sobriety Checkpoint.

Recommendation:

The County Commission consult with the grantor agencies to resolve the questioned costs. In addition, the County Commission should:

A. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

C. Require sheriff's deputies to submit detailed time sheets which are reviewed and approved by the Sheriff.

Status:

A. Partially implemented. Approximately $15,600 received in 1998 from the Department of Economic Development for administrative costs was not disbursed until 1999. Other payments were made on a timely basis. State Highway and Transportation personnel indicated no action will be taken.

C. Implemented. Time sheets are reviewed by a supervisor and filed with the County Clerk. The U.S. Department of Justice has been contacted in an effort to resolve this issue.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

CLARK COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Clark County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We also have audited the compliance of Clark County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Clark County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Drug Dog

During July 1997, a drug dog owned by a deputy sheriff was killed. The former sheriff received donations of approximately $20,000 from the citizens of the county to replace the dog. The former sheriff paid $12,000 to the deputy to purchase a new drug dog and cover any travel and training expenses he incurred. In December 1997 the deputy left employment with the county and took the drug dog with him. In February 1998, the remaining donations were turned over to the county by the former sheriff. The county then purchased another drug dog with these funds. Three bids received for the new drug dog ranged from $6,500 to $10,500. During our review, we noted the following concerns:

A. Documentation such as invoices or bid proposals was not obtained from the deputy to support the $12,000 disbursement. Because no documentation exists to support the payment to the deputy sheriff, we could not determine if the amount paid to the deputy sheriff was reasonable.

   Without adequate supporting documentation, county officials cannot determine if the purchases are prudent, valid, and necessary expenditures of county funds.

B. Donations for the dog and DARE monies were held in bank accounts maintained by the former Sheriff until they were turned over to the county treasurer in 1998. In addition, the former Sheriff did not maintain bank and accounting records for the account.

   Missouri Attorney General's Opinion No. 45, to Henderson states that the sheriff of a third class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

WE RECOMMEND the County Commission request officials turn over all donations to the custody of the county treasurer. In addition, adequate documentation and bank and accounting records should be maintained to support all expenditures.

AUDITEE'S RESPONSE

The County Commission indicated all of these monies have been turned over and they will request that any such monies received in the future be turned over to the County Treasurer.

2. County Salary Commission

The Clark County Salary Commission has the statutory authority to set salaries of the county's elected officials. County officials' salaries are based upon the county's assessed

valuation, population, training attendance, or a combination of these factors. At the 1997 meeting, the Salary Commission voted to increase the salaries of the county officials 10% of the difference between the current salaries and the statutory maximum. The county did not obtain a written opinion from the Prosecuting Attorney to support this decision.

Section 50.333.7, RSMo Supp. 1997, states, "If the salary commission votes to increase the compensation, all officers or offices whose compensation is being considered by the commission at that time, shall receive the same percentage of the maximum allowable compensation." Therefore, the salary commission may have approved a method of calculating salary increases which is not specifically allowable by state law.

WE RECOMMEND the County Commission obtain written opinions from the Prosecuting Attorney to support the decision made by the salary commission in 1997.

AUDITEE'S RESPONSE

The County Commission stated the Prosecuting Attorney was present at the salary commission meeting and in fact seconded the motion. If there is a question in the future, the County Commission will ask for a written opinion from the Prosecuting Attorney.

3.	Circuit Clerk's Deposits

Receipts totaling $2,010 were not deposited to the Circuit Clerk's fee account. The Circuit Clerk repaid $550 of the monies.

Recommendations concerning the discrepancies and internal controls of the Circuit Clerk are included in a special review report and are not included here.

This report is intended for the information of the management of Clark County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

CLARK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Clark County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding numbers 5.A. and C. are omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Circuit Clerk's Deposits

A receipt slip was issued July 10, 1997, for $900 cash which could not be traced to a deposit. In addition, other receipt slips and ledger entries of at least $740 could not be traced to deposits.

Recommendations:

The Circuit Clerk investigate the above noted discrepancies and take the appropriate follow-up action. Any shortage should be reimbursed to the official account.

Status:

Partially implemented. The Circuit Clerk repaid $900 to the official account in October of 1997, and provided explanations for one item ($115) of the $740 of discrepancies. However, a similar situation was noted during the current audit. See MAR No. 3.

2. Circuit Clerk's Accounting Controls

A. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank account were not adequately segregated.

B. One receipt book which included five hundred slips issued from May 1996 through February 1997 could not be located.

C. Receipts were not deposited intact on a timely basis.

D. Receipt slips were not issued for some monies received.

E. The cash control ledger was not adequately maintained.

F. The Circuit Clerk was unable to reconcile the bank balance to the cash control ledger.

G. Checks were not restrictively endorsed immediately upon receipt.

H. Monthly listings of open items were not prepared.

I. A complete listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.

Recommendation:

The Circuit Clerk:

A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.

B. Retain all records.

C. Deposit receipts intact daily or when accumulated receipts exceed $100.

D. Issue receipt slips for all monies received.

E. Record receipts and disbursements in the cash control ledger accurately and in a timely manner.

F. Reconcile the cash control ledger to bank records monthly and investigate and resolve any differences on a timely basis.

G. Restrictively endorse checks immediately upon receipt.

H. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance. Any differences should be investigated and resolved.

I. Maintain a complete and accurate listing of accrued costs and pursue timely collection.

Status:

A, C- F.
H&I. Not implemented. See MAR No. 3.

B. Not implemented. The indicated receipt slip book has still not been located. Although not repeated in the current report, our recommendation remains as stated above.

G. Implemented.

3. County Expenditures

A. Bids were not always solicited nor was the selection process always documented for various purchases made by the county during the audit period.

B. The monthly expense claims of the Circuit Judge included charges for use of equipment ($150 per month), rent, utilities, office supplies, copies, books, telephone, and postage. We noted that only the office supplies, books, and telephone charges were evidenced by supporting documentation. Effective March 1, 1997, the Circuit

Judge moved his office into the courthouse and no longer charged rent, however, equipment rental was still charged. There was no contract for the rental of the equipment, and no documentation to indicate how rental amounts were determined. The unsupported expense reimbursements were not reported on W-2 forms for the Circuit Judge.

C. Quarterly uniform allowances of $75 were paid to the Sheriff and deputies. The county did not require these employees to submit an itemized report of expenditures to support these allowances and the amounts were not reported on W-2 forms.

D. The transfer made by the county from the Special Road and Bridge Fund to the General Revenue Fund was approximately 3 percent of the budgeted expenditures; however, the amounts budgeted for expenditures were significantly overestimated. As a result, the amounts transferred were approximately $60,000 higher than they would have been had the transfers been based more on reasonable amounts. This amount was due from the General Revenue Fund to the Special Road and Bridge Fund.

E. There was no documentation to indicate the County Commission solicited proposals from other architects for the jail construction project. In addition, bids were not obtained nor were proposals sought for the services of the financial advisor.

Recommendation:

The County Commission:

A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.

B. Require adequate supporting documentation prior to approving expenditures for payment. All county contracts should be in writing and rental agreements should be supported by documentation of how rental amounts were determined. In addition, unsupported payments should be included on W-2 forms.

C. Require employees to submit itemized reports for uniform allowances or report the payments as income on the employees' W-2 forms.

D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of $60,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

E. Solicit and document proposals for professional services.

Status:

A. Partially implemented. Although bids were obtained for most purchases reviewed, bid documentation could not be located for a sidewalk costing $4,607, equipment

repairs of $18,221, lumber costing $4,536, a used jeep for $9,500 and a tank car costing $6,500. Although not repeated in the current report, our recommendation remains as stated above.

B. Not implemented. The County Commission indicated they discussed the situation with the Circuit Judge who agreed to enter into a written contract. Although not repeated in the current report, our recommendation remains as stated above.

C. Implemented. The uniform allowances are included on the deputies W-2 forms.

D. Partially implemented. The 1997 administrative transfer appears reasonable. The 1998 administrative transfer was approximately $33,000 less than the amount that could have been transferred and, as a result, $27,000 remains due from the General Revenue Fund to the Special Road and Bridge Fund. Although not repeated in the current report, our recommendation remains as stated above.

E. Implemented.

4. Personnel Policies and Procedures

Sheriff's office employees did not prepare individual time sheets. A comprehensive schedule was prepared for each month showing when each employee was scheduled to begin work.

A. The Sheriff's deputies did not sign the comprehensive schedule. In addition, the comprehensive schedule was not signed by a supervisor indicating approval.

B. Only payroll records for part-time deputies were submitted to the County Clerk. The comprehensive schedule was not submitted to the County Clerk.

Recommendation:

The County Commission:

A. Require time sheets or the comprehensive schedule of the Sheriff's office be signed by the employee and supervisor.

B. Require the Sheriff's deputies to submit adequate time records to the County Clerk.

Status:

Implemented. Effective January 1997, a time sheet is maintained by each employee recording actual time worked and leave taken. The deputies and supervisor sign the time sheets. The Sheriff deputies' time sheets are currently submitted to the County Clerk.

5. County Expenditures

B. The sheriff used Domestic Cannabis Eradication/Suppression (Cash Crop) Program funds to purchase radio equipment and related accessories costing $1,054. Since the equipment purchases did not meet grant restrictions, we questioned those costs.

Recommendation:

The County Commission consult with the grantor agencies to resolve the questioned costs. In addition, the County Commission should:

B. Ensure that all future purchases under the Cash Crop program are allowable under the program restrictions.

Status:

B. Not implemented. One purchase of equipment costing $250 was noted. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

CLARK COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1818, the county of Clark was named after William Clark, a member of the Lewis and Clark Expedition and governor of Missouri Territory. Clark County is a county-organized, third-class county and is part of the 1st Judicial Circuit. The county seat is Kahoka.

Clark County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Clark County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 610,321	36	623,139	24
Sales taxes	172,062	10	173,105	7
Federal and state aid	677,343	39	1,471,532	56
Fees, interest, and other	259,046	15	349,509	13
Total	$ 1,718,772	100	2,617,285	100

The following chart shows how Clark County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 304,469	18	305,451	12
Public safety	422,184	24	478,942	18
Highways and roads	1,005,749	58	1,817,700	70
Total	$ 1,732,402	100	2,602,093	100

::

In addition, significant sales tax receipts and road and bridge expenses are accounted for in the 1/2 Cent Sales Tax Road and Bridge Fund. Receipts and disbursements of this fund were $172,058 and $173,106 and $182,595 and $161,900 for the years ended December 31, 1998 and 1997, respectively. The 1/2 Cent Sales Tax Jail Construction Fund had significant sales tax receipts and public safety expenses of $170,952 and $172,961 and $148,201 and $176,180 for the years ended December 31, 1998 and 1997, respectively. The 1/2 Cent Jail Sales Tax Operation Fund also had significant sale tax receipts and public safety expenses of $106,566 and $102,977, for the year ended December 31, 1998.

The county maintains approximately 126 county bridges and 640 miles of county roads.

The county's population was 8,260 in 1970 and 7,547 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,			
	1998	1997	1985*	1980**
			(in millions)	
Real estate	$ 38.4	37.3	29.3	21.5
Personal property	15.8	15.7	11.8	9.6
Railroad and utilities	11.0	10.7	9.8	6.7
Total	$ 65.2	63.7	50.9	37.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Clark County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
General Revenue Fund	1998	1997
Special Road and Bridge Fund***	$ .36	.37
Health Center Fund	.70	.70
	.10	.10

***The county retains all tax proceeds from areas not within road districts. The county has one special road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

::

		Year Ended February 28,	
		1999	1998
State of Missouri	$	19,103	18,854
General Revenue Fund		231,542	234,660
Special Road and Bridge Fund		384,406	379,206
Assessment Fund		34,396	33,862
Health Center Fund		63,030	62,196
School districts		2,246,362	2,245,975
Library district		51,766	51,250
Ambulance district		176,626	174,784
Watershed Fund		5,764	5,208
Alexandria Fire District Fund		17,920	18,434
LaBelle Fire District Fund		251	222
Wayland Special Road District Fund		27,562	26,586
Levee and Drainage Districts Fund		130,442	123,885
Surtax		71,464	69,211
Nursing Home		75,751	75,349
Cities		11,637	11,716
County Clerk		78	116
County Employees' Retirement Fund		19,960	17,319
Commissions and fees:			
General Revenue Fund		57,512	56,242
County Collector		2,685	2,557
Total	$	3,628,257	3,607,632

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	94.0 %	94.0
Personal property	89.0	90.0
Railroad and utilities	94.0	100.0
Drainage and Levee	100.0	100.0

Clark County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date
General	$	.005	None
Road and Bridge Capital Improvements		.005	2001
Jail/Law Enforcement Center Building - General		.005	2006
Law enforcement expenses		.005	None

::

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998
County-Paid Officials:		

Eddie Brewer, Presiding Commissioner	$		10,700
Wayne Bourgeois, Associate Commissioner			10,700
C. W. Higbee, Associate Commissioner			10,700
Leih Ann Hayden, County Clerk			23,225
H. Scott Summers, Prosecuting Attorney			25,225
Kevin Gregory, Sheriff			20,900
Julie Buschling, County Treasurer			13,930
Edwin Wilson, County Coroner			3,483
Debbie K. Bourgeois, Public Administrator *			4,280
Twila Harper, County Collector**, year ended February 28,		30,726	30,598
Linda Harmon-Heinze, County Assessor ***, year ended August 31,			26,060

* Includes fees received from probate cases.

** Includes commissions from drainage and levee districts of $2,685 and $2,557 during the year ended February 28, 1999 and 1998, respectively.

*** Includes $900 annual compensation received from the state.

State-Paid Officials:

Mary D. Jones, Circuit Clerk and Ex Officio Recorder of Deeds	42,183
John Moon, Associate Circuit Judge	85,158

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees County
Circuit Clerk and Ex Officio Recorder of Deeds*	2
County Clerk	1
Prosecuting Attorney	1
Sheriff**	22
County Collector***	3
County Assessor	1
Associate Division****	0
Probate Division	0
Road and Bridge	19
Health Center*****	11
Total	60

*One full-time and one part-time county paid.
**Thirteen full-time and nine part-time.
***One full-time and two part-time.
****One full-time and one part-time.
*****Six full-time and five part-time.

::

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Clark County's share of the 1st Judicial Circuit's expenses is 45.5 percent.

The county entered into a lease agreement with a bank on June 1, 1996. The terms of the agreement called for the bank to issue bonds of $980,000 for the purpose of constructing a new jail and for the bank to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. The bonds are scheduled to be paid off in 2006. The remaining principal and interest due on the bonds at December 31, 1998, was $840,000 and $225,540, respectively.

PUTNAM COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-52
August 12, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Putnam, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Putnam County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county did not routinely follow-up on unpaid prisoner board bills. As of December 31, 1998, unpaid board bills totaled $6,184 for 1998 and $11,110 for 1997. The audit recommended controls be established to correct this situation.

Also included in the audit are recommendations to improve county budgetary procedures, county fixed asset procedures and property tax book procedures. The audit also noted an error in apportioning of railroad and utility taxes and suggested a sheriff's account be maintained within the county treasury.

PUTNAM COUNTY, MISSOURI

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Exhibit	Description	
	Statement of Receipts, Disbursements, and Changes in Cash - Various Funds	
A-1	Year Ended December 31, 1998	8
A-2	Year Ended December 31, 1997	9
	General Revenue Fund	
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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Putnam County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Putnam County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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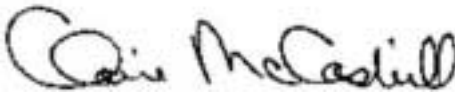
Putnam County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 11, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Putnam County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 11, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Putnam County, Missouri

We have audited the special-purpose financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Putnam County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Putnam County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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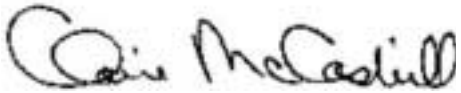
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Putnam County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 11, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue Fund	$	112,903	382,018	411,792	83,129
Special Road and Bridge Fund		169,548	808,421	788,764	189,205
Assessment Fund		169	82,297	81,913	553
Law Enforcement Training		982	1,828	1,982	828
Prosecuting Attorney Training		549	479	0	1,028
Health Center		61,888	277,267	287,865	51,290
Law Enforcement Sales Tax		7,673	224,741	207,923	24,491
Recorder User Fees		4,440	3,455	2,000	5,895
Prosecuting Attorney Bad Check		5,385	4,776	5,209	4,952
Domestic Violence		58	282	0	340
Associate Circuit Division Interest		1,049	355	519	885
Circuit Interest		1,553	941	600	1,894
K-9		450	100	393	157
Law Library		209	2,242	2,074	377
Sheriff Safety and Poor		411	1,075	898	588
Local Law Enforcement Block Grant		2,894	11	2,895	10
911		0	8,185	0	8,185
Total	$	370,161	1,798,473	1,794,827	373,807

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue Fund	$	96,377	393,736	377,210	112,903
Special Road and Bridge Fund		246,778	698,708	775,938	169,548
Assessment Fund		54	76,955	76,840	169
Law Enforcement Training		504	1,948	1,470	982
Prosecuting Attorney Training		386	681	518	549
Health Center		48,831	357,677	344,620	61,888
Law Enforcement Sales Tax		41,783	215,127	249,237	7,673
Recorder's User Fees		3,666	2,864	2,090	4,440
Prosecuting Attorney Bad Check		5,741	5,044	5,400	5,385
Domestic Violence		223	235	400	58
Associate Circuit Division Interest		1,095	300	346	1,049
Circuit Interest		1,084	654	185	1,553
K-9		2,255	619	2,424	450
Law Library		49	1,380	1,220	209
Sheriff Safety and Poor		1,102	840	1,531	411
Local Law Enforcement Block Grant		0	7,071	4,177	2,894
Total	$	449,928	1,763,839	1,843,606	370,161

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 190,000	179,420	-10,580	165,000	180,034	15,034
Sales taxes	130,000	109,513	-20,487	120,000	127,392	7,392
Intergovernmental	16,789	15,298	-1,491	16,865	13,582	-3,283
Charges for services	60,450	56,879	-3,571	62,445	57,122	-5,323
Interest	4,000	9,264	5,264	8,000	3,926	-4,074
Other	10,674	11,644	970	9,400	11,680	2,280
Transfers in	27,597	0	-27,597	33,270	0	-33,270
Total Receipts	439,510	382,018	#VALUE!	414,980	393,736	#VALUE!
DISBURSEMENTS						
County Commission	48,974	49,681	-707	47,974	47,849	125
County Clerk	49,736	49,160	576	53,990	53,721	269
Elections	15,250	16,789	-1,539	4,000	5,166	-1,166
Buildings and grounds	67,658	35,501	32,157	55,976	40,771	15,205
Employee fringe benefits	36,406	37,314	-908	41,551	7,605	33,946
County Treasurer and Ex Officio						
County Collector	34,566	28,609	5,957	34,799	29,348	5,451
Circuit Clerk and Ex Officio						
Recorder of Deeds	29,984	19,186	10,798	29,094	16,810	12,284
Associate Circuit Court	10,434	8,805	1,629	10,465	10,239	226
Court Reporter	800	708	92	830	715	115
Court Administration	1,900	876	1,024	900	868	32
Public Administrator	10,761	10,338	423	6,944	10,761	-3,817
Prosecuting Attorney	55,692	53,674	2,018	52,341	50,818	1,523
Juvenile Officer	31,080	25,557	5,523	28,025	21,383	6,642
County Coroner	3,704	3,571	133	3,671	3,581	90
Health and Welfare	500	25	475	500	171	329
Other	97,567	55,998	41,569	84,685	48,117	36,568
Transfers out	0	16,000	-16,000	30,000	29,287	713
Emergency Fund	12,189	0	12,189	12,449	0	12,449
Total Disbursements	507,201	411,792	95,409	498,194	377,210	120,984
RECEIPTS OVER (UNDER) DISBURSEMENTS	-67,691	-29,774	#VALUE!	-83,214	16,526	#VALUE!
CASH, January 1	112,643	112,903	260	96,151	96,377	226
CASH, December 31	$ 44,952	83,129	#VALUE!	12,937	112,903	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 27,000	25,388	-1,612	25,000	25,102	102
Intergovernmental	874,398	748,458	-125,940	1,063,000	654,640	-408,360
Interest	9,500	16,562	7,062	14,000	9,130	-4,870
Other	9,000	18,013	9,013	7,000	9,836	2,836
Total Receipts	919,898	808,421	-111,477	1,109,000	698,708	-410,292
DISBURSEMENTS						
Salaries	82,267	80,289	1,978	79,872	80,179	-307
Employee fringe benefits	6,294	6,142	152	9,450	12,162	-2,712
Supplies	13,300	10,494	2,806	12,100	10,589	1,511
Insurance	3,700	2,648	1,052	3,500	3,247	253
Road and bridge materials	410,000	323,475	86,525	210,000	439,699	-229,699
Equipment repairs	2,500	293	2,207	3,500	1,997	1,503
Rentals	1,200	1,200	0	1,200	1,200	0
Equipment purchases	25,000	27,211	-2,211	15,000	4,730	10,270
Construction, repair, and maintenance	494,000	336,721	157,279	325,000	221,132	103,868
Debt Service	0	0	0	600,000	0	600,000
Other	600	291	309	1,100	1,003	97
Transfers out	27,597	0	27,597	33,270	0	33,270
Total Disbursements	1,066,458	788,764	277,694	1,293,992	775,938	518,054
RECEIPTS OVER (UNDER) DISBURSEMENTS	-146,560	19,657	166,217	-184,992	-77,230	107,762
CASH, January 1	169,288	169,548	260	246,368	246,778	410
CASH, December 31	$ 22,728	189,205	166,477	61,376	169,548	108,172

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 76,476	69,844	-6,632	67,611	56,689	-10,922
Charges for services	200	216	16	50	205	155
Interest	466	550	84	500	550	50
Other	224	687	463	240	224	-16
Transfers in	17,514	11,000	-6,514	16,087	19,287	3,200
Total Receipts	94,880	82,297	-12,583	84,488	76,955	-7,533
DISBURSEMENTS						
Assessor	92,050	81,913	10,137	83,861	76,840	7,021
Total Disbursements	92,050	81,913	10,137	83,861	76,840	7,021
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,830	384	-2,446	627	115	-512
CASH, JANUARY 1	169	169	0	54	54	0
CASH, DECEMBER 31	$ 2,999	553	-2,446	681	169	-512

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,000	1,796	-204	2,800	1,928	-872
Interest	0	32	32	0	20	20
Total Receipts	2,000	1,828	-172	2,800	1,948	-852
DISBURSEMENTS						
Sheriff	2,000	1,982	18	3,000	1,470	1,530
Total Disbursements	2,000	1,982	18	3,000	1,470	1,530
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-154	-154	-200	478	678
CASH, JANUARY 1	0	982	982	504	504	0
CASH, DECEMBER 31	$ 0	828	828	304	982	678

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 400	449	49	800	663	-137
Interest	0	30	30	0	18	18
Total Receipts	400	479	79	800	681	-119
DISBURSEMENTS						
Prosecuting Attorney	400	0	400	900	518	382
Total Disbursements	400	0	400	900	518	382
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	479	479	-100	163	263
CASH, JANUARY 1	0	549	549	386	386	0
CASH, DECEMBER 31	$ 0	1,028	1,028	286	549	263

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 71,500	73,477	1,977	75,200	71,159	-4,041
Intergovernmental	125,600	102,368	-23,232	161,700	170,811	9,111
Charges for services	79,200	95,307	16,107	116,040	110,862	-5,178
Interest	4,500	4,119	-381	6,000	3,615	-2,385
Other	1,900	1,996	96	4,360	1,230	-3,130
Transfer in	5,600	0	-5,600	0	0	0
Total Receipts	288,300	277,267	-11,033	363,300	357,677	-5,623
DISBURSEMENTS						
Salaries	207,498	207,411	87	237,000	240,347	-3,347
Office expenditures	30,634	30,632	2	34,490	34,340	150
Equipment	1,354	1,354	0	7,500	6,642	858
Mileage and training	7,963	7,964	-1	14,125	11,278	2,847
Other	40,851	40,504	347	70,185	52,013	18,172
Total Disbursements	288,300	287,865	435	363,300	344,620	18,680
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-10,598	-10,598	0	13,057	13,057
CASH, JANUARY 1	0	61,888	61,888	0	48,831	48,831
CASH, DECEMBER 31	$ 0	51,290	51,290	0	61,888	61,888

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 137,000	125,623	-11,377	120,000	127,372	7,372
Intergovernmental	5,150	4,843	-307	40,542	20,026	-20,516
Charges for services	55,000	76,787	21,787	61,540	47,461	-14,079
Interest	1,000	625	-375	1,800	546	-1,254
Transfers	0	5,000	5,000	0	10,000	10,000
Other	2,700	11,863	9,163	1,800	9,722	7,922
Total Receipts	200,850	224,741	23,891	225,682	215,127	-10,555
DISBURSEMENTS						
Salaries	142,574	144,456	-1,882	152,263	151,780	483
Office Equipment	7,825	6,157	1,668	6,775	7,843	-1,068
Equipment	9,150	11,320	-2,170	31,250	34,421	-3,171
Mileage and training	9,500	7,139	2,361	9,000	11,838	-2,838
Other	38,800	38,851	-51	52,400	43,355	9,045
Total Disbursements	207,849	207,923	-74	251,688	249,237	2,451
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,999	16,818	23,817	-26,006	-34,110	-8,104
CASH, JANUARY 1	7,628	7,673	45	41,599	41,783	184
CASH, DECEMBER 31	$ 629	24,491	23,862	15,593	7,673	-7,920

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 3,500	3,252	-248
Interest	0	203	203
Total Receipts	3,500	3,455	-45
DISBURSEMENTS			
Bookbinding	3,000	2,000	1,000
Total Disbursements	3,000	2,000	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,455	955
CASH, JANUARY 1	0	4,440	4,440
CASH, DECEMBER 31	$ 500	5,895	5,395

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 8,000	4,585	-3,415
Interest	0	191	191
Total Receipts	8,000	4,776	-3,224
DISBURSEMENTS			
Equipment	6,000	4,123	1,877
Mileage and Training	200	86	114
Other	1,000	1,000	0
Total Disbursements	7,200	5,209	1,991
RECEIPTS OVER (UNDER) DISBURSEMENTS	800	-433	-1,233
CASH, JANUARY 1	0	5,385	5,385
CASH, DECEMBER 31	$ 800	4,952	4,152

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 250	275	25
Interest	0	7	7
Total Receipts	250	282	32
DISBURSEMENTS			
Other	200	0	200
Total Disbursements	200	0	200
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	282	232
CASH, JANUARY 1	0	58	58
CASH, DECEMBER 31	$ 50	340	290

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

	Year Ended December, 31		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 772	355	-417
Total Receipts	772	355	-417
DISBURSEMENTS			
Equipment	700	519	181
Total Disbursements	700	519	181
RECEIPTS OVER (UNDER) DISBURSEMENTS	72	-164	-236
CASH, JANUARY 1	0	1,049	1,049
CASH, DECEMBER 31	$ 72	885	813

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 500	941	441
Total Receipts	500	941	441
DISBURSEMENTS			
Equipment	300	549	-249
Other	200	51	149
Total Disbursements	500	600	-100
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	341	341
CASH, JANUARY 1	0	1,553	1,553
CASH, DECEMBER 31	$ 0	1,894	1,894

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
K-9 FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 50	13	-37
Other	1,000	87	-913
Total Receipts	1,050	100	-950
DISBURSEMENTS			
Mileage and Training	800	0	800
Other	200	393	-193
Total Disbursements	1,000	393	607
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	-293	-343
CASH, JANUARY 1	0	450	450
CASH, DECEMBER 31	$ 50	157	107

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998 and 1997
Sheriff Safety and Poor Fund	1998 and 1997
Local Law Enforcement Block Grant Fund	1998 and 1997
Recorder User Fees Fund	1997
Prosecuting Attorney Bad Check Fund	1997
Domestic Violence Fund	1997
Associate Circuit Division Interest Fund	1997
Circuit Interest Fund	1997
K-9 Fund	1997
911 Fund	1998

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Sales Tax Fund	1998
Circuit Interest Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Law Enforcement Training Fund, Prosecuting Attorney Training Fund, Health Center Fund, Recorder User Fees Fund, Prosecuting Attorney Bad Check Fund, Domestic Violence Fund, Associate Circuit Interest Fund, Circuit Interest Fund, K-9 Fund, Law Library Fund, Sheriff Safety and Poor Fund, Local Law Enforcement Block Grant Fund, and the 911 Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing

public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The health center's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for both the county and the health center at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The only investment of the various funds at December 31, 1998 and 1997, was a repurchase agreement with reported amounts of $200,000 and $215,000, respectively, (which approximated fair value).

The reported amounts at December 31, 1998 and 1997, represent uninsured and unregistered investments for which the securities were held by the dealer bank's trust department or agent in the county's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue,* 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions

to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $56,851 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $29,032. As of December 31, 1998, $10,888 remains to be paid.

Supplementary Schedule

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	MO0860000	$ 0	6,552
	Passed through:			
	State Department of Public Safety -			
16.6	Local Law Enforcement Block Grants Program	96-LBG-105	2,895	4,177
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,136	1,282
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-086(8)	0	894
		BRO-086(10)	276,590	0
		BRO-086(11)	6,534	189,346
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	PGO0064-9186IAP	3,250	1,365
	Department of Social Services -			
93.6	Child Support Enforcement	ERO103	2,547	3,015
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO146-9186	1,276	0
93.9	HIV Prevention	AOC7000307	0	43,329
94.0	Maternal and Child Health Services Block Grant to the States	ERO146-8186MCH	12,290	12,873
	Total Expenditures of Federal Awards		$ 306,518	262,833

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

PUTNAM COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Putnam County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Because Putnam County expended no noncash awards for the years ended December 31, 1998 and 1997, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Putnam County, Missouri

Compliance

We have audited the compliance of Putnam County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Putnam County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

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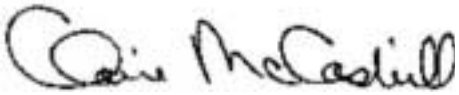
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Putnam County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Putnam County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 11, 1999 (fieldwork completion date)

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 and 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	X no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	X none reported
Noncompliance material to the financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major program:		
Material weaknesses identified?	_____ yes	X no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	X none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	X no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PUTNAM COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PUTNAM COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

2. Cash Management

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Bridge and Replacement Program - Off-System
Pass-Through Entity Identifying Number:	BRO-086(6)(8)(9)(10)(11)
Award Year:	1996 and 1995
Questioned Costs:	N/A

The county did not establish cash management procedures to ensure minimum time elapsed between the receipt of federal project monies and the disbursement of such monies to contractors.

Recommendation:

The County Commission consult with the grantor agency to resolve the questioned costs. In addition, the County Commission should establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

Status:

Implemented.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PUTNAM COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 11, 1999. We also have audited the compliance of Putnam County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 11, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Putnam County Memorial Hospital Board of Trustees is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the years ended June 30, 1998 and 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Putnam County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. General Fixed Asset Procedures and Controls

The County Clerk does not maintain an up-to-date listing of general fixed assets. We noted several purchases that were not added to the county's fixed asset records in a timely manner. For example, the purchase of an air conditioner costing $1,528, a washer and dryer costing $599, and a Dodge pickup costing $18,411 had not been added to the general fixed asset records. The County Clerk does not periodically reconcile general fixed assets additions to equipment purchases to ensure all items are properly recorded on the general fixed asset records. In addition, a physical inventory of general fixed assets has not been conducted since 1995.

Adequate records of general fixed assets are required by state law, Section 51.155, RSMo 1994, and are necessary to properly safeguard assets from theft, and ensure the adequacy of insurance coverage. Periodic inventories are necessary to comply with state law and to ensure assets are added to inventory records.

Similar conditions were noted in previous audit reports.

WE AGAIN RECOMMEND the County Clerk maintain adequate records of general fixed assets, ensuring fixed asset purchases are added on a timely basis. This could be accomplished by periodically reconciling fixed asset additions to records of equipment purchases. An annual physical inventory should be conducted as required by state law.

AUDITEE'S RESPONSE

I will work with the County Commission to implement these recommendations.

2. Apportionment of Railroad and Utility Taxes

During our review, we noted calculation errors in the apportionment of 1998 and 1997 railroad and utility taxes by the County Clerk. These errors resulted in incorrect payments of railroad and utility taxes to the various school districts. The following table indicates the amount over or (under) paid to the various school districts for 1998 and 1997 tax collections:

School District	Due to (From) District
Putnam R-I	$2,711
Schuyler R-I	(2,618)
Newtown-Harris R-II	(93)

WE RECOMMEND the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

AUDITEE'S RESPONSE

I have purchased a software program which calculates this apportionment.

3. Sheriff's Controls and Procedures

A. The Sheriff's department annually solicits advertisements from local businesses to sponsor a calendar promoting law enforcement. The advertisements cost $45 in 1998 and $40 in 1997. During the two years ended December 31, 1998, the Sheriff collected $1,915 in calendar sale commissions from which advertising fees totaling $1,795 was remitted to calendar company.

The commissions were deposited in a bank account outside the county treasury, designated as the "Safety and Poor Fund." This fund is under the control of the Sheriff and as of December 31, 1998, the balance of this account totaled $588.

Attorney General's Opinion No.45-92 to Henderson states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. Monies of this type should be maintained by the County Treasurer and disbursed only as authorized by a warrant approved by the County Commission and signed by the County Clerk. Section 50.550, RSMo 1994, authorizes the County Commission to establish separate funds as necessary.

B. Putnam County boards prisoners for surrounding counties and the city of Unionville. The Sheriff's department prepares and sends board bills to the other governments. The Sheriff's department retains one copy of the board bill and sends another copy to the County Treasurer. The board bills indicate that payments are to be made directly to the County Treasurer. When a payment is received, the County Treasurer provides a copy of the receipt slip to the Sheriff. However, neither the Sheriff 's department nor the County Treasurer routinely compares prisoner board billings to subsequent payments. In addition, the Sheriff has no formal follow-up procedures for unpaid board bills. As of December 31, 1998, unpaid board bills totaled $6,184 for 1998 and $11,110 for 1997. Board bill payments received in 1998 and 1997 totaled $11,451 and $14,817, respectively.

Formal reconciliations of prisoner board bills and payments received by the County Treasurer should be performed with the Sheriff's department to ensure payments are received on a timely basis, second billings are sent out if necessary, and records are maintained accurately.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Sheriff:

A. Remit remaining "Safety and Poor Fund" monies and all future calendar proceeds to the County Treasurer to be placed in a fund established by the County Commission. Expenditures required by the Sheriff from this fund should be made by duly authorized warrants.

B. Compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.

AUDITEE'S RESPONSE

A. I have implemented this recommendation.

B. I am in the process of implementing this recommendation. Past due billings have recently been sent.

4. Property Tax Books and Procedures

The County Clerk is responsible for preparing an annual real and personal property tax aggregate abstract of assessed valuations and taxes to be collected. Errors were made during the preparation of the aggregate abstracts and, as a result, the amount of taxes to be collected was incorrectly reported on the abstracts. The County Clerk had copied incorrect amounts from the tax books to the real estate abstract in 1997 and did not record prior years' delinquent personal and real estate taxes on the 1998 back tax abstract. As a result, the amount of taxes to be collected were understated by $49,954 and $77,453 for tax years 1997 and 1998, respectively. Complete and accurate aggregate abstracts are necessary for the County Clerk and County Commission to verify the accuracy of the annual settlements submitted by the Ex Officio County Collector.

WE RECOMMEND the County Clerk ensure aggregate abstracts are accurately prepared. In addition, the County Clerk should verify that property taxes to be collected per aggregate abstracts agree to amounts charged on the Ex Officio County Collector's annual settlements.

AUDITEE'S RESPONSE

I will implement this recommendation.

5. Budgetary Practices and Published Financial Statements

A. The County Clerk, as the budget officer of the county, and the County Commission, as the chief operating officers of the county, are responsible for preparing and approving a county budget which serves as a complete financial plan for the county. Our review of the Putnam County budget revealed the budgets did not always reflect accurate beginning cash amounts or other beginning available resources for various county funds.

For the budget documents to be of maximum assistance in setting tax levies and to adequately inform county residents of the county's operations and current financial position, all available resources should be presented.

B. The annual published financial statements did not include the financial activity of some county funds, as required by Section 50.800, RSMo 1994. In addition, receipt and disbursement detail required by state law was missing for several of the smaller county funds.

For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

WE RECOMMEND the County Commission along with the Health Center Board of Trustees:

A. Ensure all available resources are reflected in the county and health center budget documents respectively.

B. Ensure the published financial statements include all county funds and detailed information in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will try to implement these recommendations in the future.

The Health Center Administrator provided the following responses:

A. The Putnam County Health Department has discussed the recommendation with the accounting firm who prepared the financial statement of the budget. Putnam County Health Department agrees to implement the recommendation of revealing all available resources in the year 2000 budget. The accounting firm concurred with our decision.

B. The Putnam County Health Department will provide the necessary financial information to the county commissioners so they may publish it in the local newspaper.

This report is intended for the information of the management of Putnam County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

PUTNAM COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Putnam County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. Finding number 2. is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices and Published Financial Statements

   A. Disbursements were made in excess of approved budget amounts for some funds.

   B. Actual receipts and disbursements recorded on the budget documents did not agree to the County Clerk's computerized receipt and disbursement records.

   C. Budget information recorded on one year's budget was not always accurately recorded on the subsequent year's budget.

   D. The budgets did not always reflect accurate beginning cash amounts or other beginning available resources.

   E. Formal budgets were not prepared and filed with the State Auditor's Office (SAO) for a number of funds.

   F. The annual published financial statements did not include the financial activity of some county funds as required by state law. In addition, disbursement detail required by state law was missing.

   Recommendation:

   A. The County Commission keep expenditures within the amounts budgeted. If excess expenditures are necessary, the extenuating circumstances should be fully documented in the County Commission's minutes and the budgets properly amended.

   B. The County Clerk ensure budget documents are supported by adequate source documentation and reflect accurate receipts, disbursements, and beginning cash balances.

   C. The County Clerk ensure budget information is accurately transferred from one year's budget to that of the subsequent year.

   D. The County Clerk ensure all available resources are reflected in the budget documents.

E. The County Commission, along with the County Clerk, ensure budgets are prepared for all county funds and submitted to the SAO as required by state law.

F. The County Commission and County Clerk ensure financial information for all county funds is properly reported in the annual published financial statements in accordance with state law.

Status:

A. Partially implemented. The county incurred two instances of allowing actual expenditures to exceed budgeted expenditures for various funds during the audit period. The excess amounts for the two funds combined totaled $174. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Partially Implemented. While isolated errors were again noted, significant improvement was made in these areas. Although not repeated in the current report, our recommendation remains as stated above.

D&F. Not implemented. See MAR No. 5.

E. Partially implemented. The number of funds not budgeted in 1998 decreased significantly from 1997. Although not repeated in the current report, our recommendation remains as stated above.

3. County Expenditures

A. The county did not obtain a professional appraisal to value land prior to its purchase.

B. The county purchased meals from various vendors for prisoners incarcerated in the county jail. The vendors submitted invoices monthly for the total amount due, but the invoices did not contain information on the number of meals delivered, the grocery items purchased, or the prices for the meals and grocery items. In addition, a record of meals received was not prepared by the Sheriff's Office.

Recommendation:

A. The County Commission obtain professional appraisals on land it considers purchasing and review all possible options for the most cost-effective method of obtaining land.

B. The Sheriff maintain a record of meals received. The vendor should be required to submit an invoice of meals served and the County Clerk should review the Sheriff's records and investigate any differences between the Sheriff's records and the vendor's invoice. The Sheriff should also retain individual store receipts for grocery items purchased, and submit them to the County Clerk monthly. The County Clerk should reconcile the receipts to the vendor invoices and investigate any differences.

Status:

Implemented.

4. General Fixed Assets Records and Procedures

The County Clerk did not maintain adequate records of general fixed assets. The fixed asset listing was not maintained in a manner that allowed beginning assets plus additions less dispositions to be reconciled to an ending asset balance. Periodic inventories were not conducted. Purchases were not added to the county's fixed asset records in a timely manner and periodic reconciliations of general fixed asset additions to equipment purchases were not performed.

Recommendation:

The County Clerk maintain adequate records of general fixed assets, ensuring fixed asset purchases are added on a timely basis. This could be accomplished by periodically reconciling fixed asset additions to records of equipment purchases. An annual physical inventory should be conducted as required by state law.

Status:

Not implemented. See MAR No. 1.

5. Sheriffs' Controls and Procedures

A. Calendar sales commissions were deposited into a bank account outside the county treasury, designated as the "Safety and Poor Fund."

B. Bank reconciliations were not prepared for the "Safety and Poor Fund" on a monthly basis.

C. Receipt slips were not issued for the "Safety and Poor Fund" receipts.

D. Documentation was not adequate to support several expenditures made from the "Safety and Poor Fund."

E. Neither the Sheriff's department nor the County Treasurer routinely compared prisoner board billings to subsequent payments. There were no formal follow-up procedures for unpaid board bills.

F. The county did not maintain documentation of matching funds provided. It appeared federal payments of $1,133 were not matched by the county.

Recommendation:

The Sheriff:

A. Turn remaining "Safety and Poor Fund" monies and all future calendar proceeds over to the County Treasurer to be placed in a fund established by the County Commission. Expenditures required by the Sheriff from this fund should be made by

duly authorized warrants. If this recommendation is not implemented, procedures described in parts B-D are necessary to adequately account for the fund.

B. Perform monthly bank reconciliations for the "Safety and Poor Fund."

C. Issue receipt slips for all monies received for the "Safety and Poor Fund," and ensure the amount and composition of receipts agrees to bank deposits.

D. Ensure adequate supporting documentation is maintained for all "Safety and Poor Fund" expenditures.

E. Compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.

F. Consult with the grantor agency to resolve the questioned costs. In addition, the Sheriff should ensure proper documentation is retained for grant programs.

Status:

A&E. Not implemented. See MAR No. 3.

B-D. Implemented.

F. Not Implemented. The prior questioned costs have not yet been resolved. The county withdrew from the COPS program in July 1997. Although not repeated in the current report, our recommendation remains as stated above.

6. Ex Officio County Collector's (EOC) Procedures

A. The Collector's annual settlements contained significant errors.

B. Delinquent tax books were not updated daily.

Recommendation:

The EOC:

A. File accurate annual settlements.

B. Record delinquent payments in the delinquent tax books daily.

Status:

Implemented.

7. Prosecuting Attorney's Records and Procedures

A. Receipt slips were not issued for some monies received, were not prenumbered by the printer, and some did not indicate the method of payment.

B. Monthly bank reconciliations were not performed for the Prosecuting Attorney's bank account from August 1996 to December 1996. In addition, the cash control ledger was not complete. Monthly receipts and disbursements were not totaled in the cash control ledger and a book balance was not determined.

C. An open-items (liabilities) listing was not prepared and reconciled to the bank balance on a monthly basis during the audit period.

D. Accounting duties were not adequately segregated.

Recommendation:

The Prosecuting Attorney:

A. Issue prenumbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued. In addition, the Prosecuting Attorney should ensure that the composition of receipt slips issued is reconciled to bank deposits.

B. Perform monthly bank reconciliations and determine total book receipts, disbursements, and the cash balance on a monthly basis.

C. Prepare an open items listing on a monthly basis. The open items listing should be reconciled to the reconciled bank balance on the bank reconciliation.

D. Adequately segregate accounting duties to the extent possible or perform periodic documented supervisory reviews of the records.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PUTNAM COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Putnam, Missouri was named after General Israel Putnam, a Revolutionary War hero. Putnam County is a township-organized, third-class county and is part of the 3rd Judicial Circuit. The county seat is Unionville.

Putnam County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Putnam County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 204,808	17	205,136	19
Sales taxes	109,513	9	127,392	11
Federal and state aid	763,756	65	668,222	62
Fees, interest, and other	112,362	9	91,694	8
Total	$ 1,190,439	100	1,092,444	100

The following chart shows how Putnam County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 328,990	27	301,428	26
Public safety	82,802	7	75,782	7
Highways and roads	788,764	66	775,938	67
Total	$ 1,200,556	100	1,153,148	100

::
In addition, significant sales tax receipts and public safety expenses are accounted for in the Law Enforcement Sales Tax Fund. Receipts of the Law Enforcement Sales Tax Fund were

$224,741 and $215,127 for the years ended December 31, 1998 and 1997, respectively. Disbursements were $207,923 and $249,237 for the years ended December 31, 1998 and 1997, respectively.

The county maintains approximately 189 county bridges and 515 miles of county roads.

The county's population was 5,916 in 1970 and 5,079 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 30.8	29.5	20.2	15.5	11.1
Personal property	13.2	12.7	6.9	8.8	4.1
Railroad and utilities	3.3	3.3	1.7	2.3	1.8
Total	$ 47.3	45.5	28.8	26.6	17.0

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Putnam County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .48	.48
Special Road and Bridge Fund	***	***
Health Center Fund	.16	.16
Hospital Fund	.37	.37

*** The county retains an amount equal to one-seventh of the tax levy per $100 assessed valuation from road and bridge taxes levied by the townships per Section 137.585.2, RSMo. The county also retains an amount equal to one-fifth of the tax levy per $100 assessed valuation from the road and bridge taxes levied by road districts.

::

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 13,934	13,749
General Revenue	229,665	224,425
Road and Bridge	160,259	156,601
Assessment	25,005	24,115
Health Center	73,746	72,774
School districts	1,563,883	1,533,990

Library district		69,162	68,251
Ambulance district		179,494	177,313
Fire protection district		36,939	35,427
County Hospital		170,400	168,353
Watershed district		21,309	20,963
Townships		206,901	192,922
Nursing home districts		69,072	68,160
Surtax		67,468	65,292
Investment interest		1,775	2,025
Cities		11,373	10,281
County Employees' Retirement		2,235	2,306
Commissions and fees:			
Township Collectors		27,642	26,949
General Revenue Fund		16,463	18,768
Total	$	2,946,725	2,882,664

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	95 %	96 %
Personal property	92	93
Railroad and utilities	100	100

Putnam County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	0.005	None	None
Law Enforcement		0.005	None	None

::

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Charlie Fowler, Presiding Commissioner	$		13,245	13,245
Chuck Blue, Associate Commissioner			13,245	13,245
Danny Valentine, Associate Commissioner			13,245	13,245
Sue Ann Varner, County Clerk			23,525	23,525
James Garrett, Prosecuting Attorney			27,290	27,290
Ron Robbins, Sheriff			30,690	30,690
Dr. W. Stephen Casady, County Coroner			2,760	2,760
Deena Hofstetter, Public Administrator *			9,500	9,500
Sharon Thompson-Parks, Treasurer and Ex Officio County Collector, year ended March 31,		21,247	21,247	
Paul Rouse, County Assessor , year ended August 31,**			28,800	23,400

* Includes fees received from probate cases.
** Includes $900 annual compensation received from the state.

State-Paid Officials:		
Maribeth DeHaven, Circuit Clerk and		
Ex Officio Recorder of Deeds	42,183	40,176
Jeri Bush, Associate Circuit Judge	85,158	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
County Commission (1)	2	0
Circuit Clerk and Ex Officio Recorder of Deeds	0	2
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff (2)	7	0
County Assessor	1	0
Associate Division (3)	0	2
Road and Bridge	4	0
Health Center (4)	7	0
Total	23.0	4.0

(1) Includes 1 part-time employee.
(2) Includes four part-time dispatchers. One employee works both full-time as a secretary and part-time as a dispatcher.
(3) Consists of one full-time employee who is state paid and one part-time employee who is compensated for 1 day a week by the county and 4 days a week by the state.
(4) Includes 2 part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Putnam County's share of the Third Judicial Circuit's expenses is 18.26 percent.

During 1998, a county 911 board was created. The establishment of the board was related to a county-wide sales tax of 1/2 percent which was approved by voters during the April 1998 election for the purpose of implementing and operating an Enhanced 911 System.

AUDIT REPORT

PHELPS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-51
August 11, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Phelps, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Phelps County included additional areas of county operations, as well as the elected county officials.

There were no new findings or recommendations made during this audit. However, this audit noted the county had not fully implemented some of the recommendations made in the prior audit report. The county was encouraged to implement those prior audit recommendations.

Copies of the audit are available upon request.

PHELPS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Phelps County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Phelps County.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain matters regarding the year 2000 issue. Phelps County has included such disclosures in Note 5. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 5. Further, we do not provide assurance that the county is or will become year

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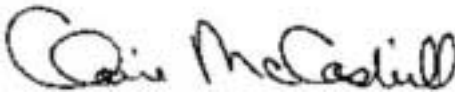
2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Phelps County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Phelps County, Missouri

We have audited the special-purpose financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Phelps County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Phelps County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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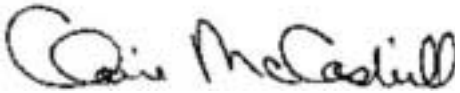
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Phelps County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	6,518	3,891,428	3,634,462	263,484
Special Road and Bridge		912	2,479,550	2,384,088	96,374
Assessment		128,987	315,516	286,017	158,486
Law Enforcement Training		10,558	12,319	12,226	10,651
Prosecuting Attorney Training		11	2,396	2,108	299
Senior Companions		2,026	309,480	308,972	2,534
Meramec Home Health		80,157	2,756,745	2,674,352	162,550
Shelter		2,036	6,424	6,460	2,000
Developmentally Disabled		50,305	234,815	206,315	78,805
Unemployment Tax		33,097	63,624	78,573	18,148
Road and Bridge Debt Service		104,501	108,531	0	213,032
Prosecuting Attorney Bad Check		71	44,418	43,308	1,181
Prosecuting Attorney Delinquent Tax		473	1,137	573	1,037
Recorder's User Fees		18,430	16,517	17,906	17,041
Sheriff Drug Enforcement		1,668	14,167	15,732	103
25th Juvenile FPS		797	3,129	3,038	888
Public Facilities Authority		494,079	771,613	147,409	1,118,283
County Use Tax		196,630	213,222	346,229	63,623
Public Facilities Use Tax		107,932	246,749	111,599	243,082
E911 Emergency		205,629	332,205	251,375	286,459
Jay White Estate		382,521	11,012	22,385	371,148
Health Department		940	914,801	910,342	5,399
Crisis Intervention		110	14,271	13,210	1,171
Sheriff Civil Fees		2,419	46,869	48,991	297
Community Care Clinic		4,036	66,999	70,652	383
March Mediation		0	87,500	79,483	8,017
Circuit Division Interest		10,730	7,441	8,357	9,814
Law Library		18,535	9,262	7,349	20,448
Total	$	1,864,108	12,982,140	11,691,511	3,154,737

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	12,963	3,556,859	3,563,304	6,518
Special Road and Bridge		3,995	2,325,242	2,328,325	912
Assessment		114,281	283,420	268,714	128,987
Law Enforcement Training		8,864	9,283	7,589	10,558
Prosecuting Attorney Training		154	2,541	2,684	11
Senior Companions		1,827	293,541	293,342	2,026
Meramec Home Health		266	3,994,213	3,914,322	80,157
Shelter		9,548	6,542	14,054	2,036
Developmentally Disabled		59,525	217,107	226,327	50,305
Unemployment Tax		42,649	74,058	83,610	33,097
Road and Bridge Debt Service		0	104,501	0	104,501
Prosecuting Attorney Bad Check		2,533	36,060	38,522	71
Prosecuting Attorney Delinquent Tax		1,980	2,951	4,458	473
Recorder's User Fees		10,796	14,197	6,563	18,430
Sheriff Drug Enforcement		715	28,577	27,624	1,668
25th Juvenile FPS		1,068	4,281	4,552	797
Public Facilities Authority		1,239,338	116,362	861,621	494,079
County Use Tax		120,007	883,899	807,276	196,630
Public Facilities Use Tax		269,286	219,505	380,859	107,932
E911 Emergency		140,373	314,994	249,738	205,629
Jay White Estate		375,691	29,550	22,720	382,521
Health Department		313	1,145,691	1,145,064	940
Sheriff Benefit		51	0	51	0
Family Services and Justice		2,111	74	2,185	0
Crisis Intervention		1,337	14,077	15,304	110
Local Records		468	0	468	0
Sheriff Civil Fees		0	22,049	19,630	2,419
Community Care Clinic		0	30,299	26,263	4,036
Circuit Division Interest		5,175	8,150	2,595	10,730
Law Library		28,504	9,039	19,008	18,535
Total	$	2,453,818	13,747,062	14,336,772	1,864,108

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 361,165	378,689	17,524	283,212	322,496	39,284
Sales taxes	921,121	967,422	46,301	874,184	871,461	-2,723
Intergovernmental	932,872	1,155,107	222,235	787,733	707,857	-79,876
Charges for services	414,900	446,852	31,952	418,900	423,895	4,995
Interest	32,839	14,336	-18,503	26,250	9,209	-17,041
Other	634,330	357,436	-276,894	376,828	367,417	-9,411
Cash advance	215,824	215,824	0	650,000	556,000	-94,000
Transfers in	332,024	355,762	23,738	285,083	298,524	13,441
Total Receipts	3,845,075	3,891,428	#VALUE!	3,702,190	3,556,859	#VALUE!
DISBURSEMENTS						
County Commission	111,598	102,822	8,776	123,501	116,514	6,987
County Clerk	158,050	109,255	48,795	158,017	117,307	40,710
Elections	147,200	114,334	32,866	35,750	26,499	9,251
Buildings and grounds	255,280	247,928	7,352	234,600	230,337	4,263
Employee fringe benefits	382,000	380,203	1,797	349,000	368,709	-19,709
County Treasurer	30,280	29,258	1,022	30,169	29,275	894
County Collector	112,674	112,638	36	110,040	107,093	2,947
Circuit Clerk and Ex Officio Recorder of Deeds	141,982	140,965	1,017	125,502	124,206	1,296
Court Administration	169,832	157,222	12,610	103,688	84,803	18,885
Public Administrator	45,755	42,717	3,038	40,175	37,020	3,155
Extension Council	61,605	56,600	5,005	60,915	56,100	4,815
Senior Companions	55,500	55,043	457	48,750	48,812	-62
Other	21,691	16,640	5,051	30,308	28,720	1,588
Sheriff and Jail	870,271	868,129	2,142	787,267	801,832	-14,565
Prosecuting Attorney	235,616	235,564	52	227,117	227,117	0
Juvenile Officer	515,384	486,532	28,852	456,407	456,407	0
County Coroner	15,180	14,079	1,101	15,500	15,084	416
E911 Operators	8,950	22	8,928	8,950	1,843	7,107
Emergency Fund	0	0	0	2,349	0	2,349
Repayment of cash advance	290,000	290,000	0	544,000	522,000	22,000
Transfers out	178,250	174,511	3,739	167,059	163,626	3,433
Total Disbursements	3,807,098	3,634,462	172,636	3,659,064	3,563,304	95,760
RECEIPTS OVER (UNDER) DISBURSEMENTS	37,977	256,966	#VALUE!	43,126	-6,445	#VALUE!
CASH, JANUARY 1	6,518	6,518	0	12,963	12,963	0
CASH, DECEMBER 31	$ 44,495	263,484	#VALUE!	56,089	6,518	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 222,499	238,531	16,032	195,841	216,869	21,028
Sales taxes	701,219	701,221	2	874,184	871,461	-2,723
Intergovernmental	721,500	752,027	30,527	663,782	705,564	41,782
Charges for services	176,900	86,981	-89,919	102,000	164,077	62,077
Interest	4,000	5,912	1,912	10,000	3,892	-6,108
Other	687,054	623,280	-63,774	64,300	45,979	-18,321
Cash advance	0	0	0	317,400	317,400	0
Transfers in	176,600	71,598	-105,002	0	0	0
Total Receipts	2,689,772	2,479,550	-210,222	2,227,507	2,325,242	97,735
DISBURSEMENTS						
Salaries	530,731	507,971	22,760	512,909	512,090	819
Employee fringe benefits	170,673	181,317	-10,644	180,500	173,490	7,010
Supplies	29,100	22,555	6,545	27,600	28,997	-1,397
Insurance	32,000	29,661	2,339	30,000	29,024	976
Road and bridge materials	617,000	501,494	115,506	481,000	658,330	-177,330
Equipment repairs	90,000	62,162	27,838	105,000	86,984	18,016
Equipment purchases	886,000	690,707	195,293	371,500	207,033	164,467
Construction, repair, and maintenance	111,000	58,356	52,644	162,000	133,419	28,581
Other	129,000	130,137	-1,137	133,000	161,359	-28,359
Debt service	0	5,837	-5,837	0	0	0
Repayment of cash advance	87,000	87,000	0	150,000	230,400	-80,400
Transfers out	108,500	106,891	1,609	108,500	107,199	1,301
Total Disbursements	2,791,004	2,384,088	406,916	2,262,009	2,328,325	-66,316
RECEIPTS OVER (UNDER) DISBURSEMENTS	-101,232	95,462	196,694	-34,502	-3,083	31,419
CASH, JANUARY 1	912	912	0	3,995	3,995	0
CASH, DECEMBER 31	$ -100,320	96,374	196,694	-30,507	912	31,419

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 261,370	239,369	-22,001	243,266	219,773	-23,493
Interest	11,000	11,962	962	9,000	10,379	1,379
Other	9,000	3,435	-5,565	10,043	2,593	-7,450
Transfers in	60,750	60,750	0	50,675	50,675	0
Total Receipts	342,120	315,516	-26,604	312,984	283,420	-29,564
DISBURSEMENTS						
Assessor	342,120	284,529	57,591	312,984	266,927	46,057
Transfers out	0	1,488	-1,488	0	1,787	-1,787
Total Disbursements	342,120	286,017	56,103	312,984	268,714	44,270
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	29,499	29,499	0	14,706	14,706
CASH, JANUARY 1	128,987	128,987	0	114,281	114,281	0
CASH, DECEMBER 31	$ 128,987	158,486	29,499	114,281	128,987	14,706

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 9,577	9,577	0	5,000	5,796	796
Intergovernmental	2,592	2,592	0	2,171	2,171	0
Other	1,408	150	-1,258	1,480	1,316	-164
Total Receipts	13,577	12,319	-1,258	8,651	9,283	632
DISBURSEMENTS						
Sheriff	14,100	12,226	1,874	7,600	7,589	11
Total Disbursements	14,100	12,226	1,874	7,600	7,589	11
RECEIPTS OVER (UNDER) DISBURSEMENTS	-523	93	616	1,051	1,694	643
CASH, JANUARY 1	10,558	10,558	0	8,864	8,864	0
CASH, DECEMBER 31	$ 10,035	10,651	616	9,915	10,558	643

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 2,700	2,396	-304	3,200	2,541	-659
Total Receipts	2,700	2,396	-304	3,200	2,541	-659
DISBURSEMENTS						
Prosecuting Attorney	2,700	2,108	592	3,200	2,684	516
Total Disbursements	2,700	2,108	592	3,200	2,684	516
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	288	288	0	-143	-143
CASH, JANUARY 1	11	11	0	154	154	0
CASH, DECEMBER 31	$ 11	299	288	154	11	-143

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR COMPANIONS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 306,947	306,946	-1	291,515	291,515	0
Interest	2,535	2,534	-1	2,035	2,026	-9
Total Receipts	309,482	309,480	-2	293,550	293,541	-9
DISBURSEMENTS						
Senior companion expenses and stipends	240,495	240,055	440	233,531	231,931	1,600
Staff salaries	55,500	54,862	638	48,450	48,813	-363
Fringe benefits	5,468	5,298	170	5,414	4,992	422
Interest	2,026	2,026	0	1,500	1,827	-327
Other	6,731	6,731	0	4,655	5,779	-1,124
Total Disbursements	310,220	308,972	1,248	293,550	293,342	208
RECEIPTS OVER (UNDER) DISBURSEMENTS	-738	508	1,246	0	199	199
CASH, JANUARY 1	2,026	2,026	0	1,827	1,827	0
CASH, DECEMBER 31	$ 1,288	2,534	1,246	1,827	2,026	199

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MERAMEC HOME HEALTH AGENCY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Grants and reimbursements	$ 2,410,000	1,772,420	-637,580	2,537,363	2,823,081	285,718
Charges for services	25,573	50,159	24,586	95,453	95,452	-1
Interest	6,500	10,097	3,597	5,000	6,967	1,967
Hospice	440,000	397,477	-42,523	572,500	445,578	-126,922
Homemaker	680,000	526,592	-153,408	571,000	593,360	22,360
Cash advance	0	0	0	29,775	29,775	0
Total Receipts	3,562,073	2,756,745	-805,328	3,811,091	3,994,213	183,122
DISBURSEMENTS						
Salaries	2,156,602	1,661,855	494,747	2,264,687	2,420,631	-155,944
Employee fringe benefit	408,744	310,475	98,269	438,909	468,226	-29,317
Contract work	135,500	123,658	11,842	160,500	124,412	36,088
Office expense	200,203	82,801	117,402	178,650	174,448	4,202
Mileage and training	205,350	135,367	69,983	218,500	197,662	20,838
General operating expense	244,050	254,636	-10,586	254,181	258,757	-4,576
Building and grounds	89,750	75,951	13,799	96,250	92,378	3,872
Repayment of cash advance	0	0	0	87,681	87,681	0
Transfers out	26,243	29,609	-3,366	92,794	90,127	2,667
Total Disbursements	3,466,442	2,674,352	792,090	3,792,152	3,914,322	-122,170
RECEIPTS OVER (UNDER) DISBURSEMENTS	95,631	82,393	-13,238	18,939	79,891	60,952
CASH, JANUARY 1	80,157	80,157	0	266	266	0
CASH, DECEMBER 31	$ 175,788	162,550	-13,238	19,205	80,157	60,952

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHELTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 6,300	6,270	-30	5,500	6,050	550
Interest	500	154	-346	1,000	492	-508
Total Receipts	6,800	6,424	-376	6,500	6,542	42
DISBURSEMENTS						
Shelter services	6,800	6,460	340	14,954	14,054	900
Total Disbursements	6,800	6,460	340	14,954	14,054	900
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-36	-36	-8,454	-7,512	942
CASH, JANUARY 1	2,036	2,036	0	9,548	9,548	0
CASH, DECEMBER 31	$ 2,036	2,000	-36	1,094	2,036	942

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DEVELOPMENTALLY DISABLED FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 218,553	229,187	10,634	197,500	212,502	15,002
Interest	4,600	5,628	1,028	5,300	4,605	-695
Total Receipts	223,153	234,815	11,662	202,800	217,107	14,307
DISBURSEMENTS						
Choices for People	50,665	50,665	0	48,574	48,574	0
Sheltered Workshop	50,000	50,000	0	50,000	50,000	0
Recreation for Handicapped	58,500	58,500	0	90,000	90,000	0
Special Olympics	14,117	14,117	0	9,863	9,863	0
Kyle Center	8,600	8,600	0	8,337	8,337	0
Gingerbread House	24,348	24,348	0	19,500	19,500	0
Other	100	85	15	53	53	0
Total Disbursements	206,330	206,315	15	226,327	226,327	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	16,823	28,500	11,677	-23,527	-9,220	14,307
CASH, JANUARY 1	50,305	50,305	0	59,525	59,525	0
CASH, DECEMBER 31	$ 67,128	78,805	11,677	35,998	50,305	14,307

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
UNEMPLOYMENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	$ 0	151	151	0	0	0
Transfers in	70,000	63,473	-6,527	78,905	74,058	-4,847
Total Receipts	70,000	63,624	-6,376	78,905	74,058	-4,847
DISBURSEMENTS						
State unemployment	12,000	3,573	8,427	12,000	8,610	3,390
Transfers out	75,000	75,000	0	75,000	75,000	0
Total Disbursements	87,000	78,573	8,427	87,000	83,610	3,390
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,000	-14,949	2,051	-8,095	-9,552	-1,457
CASH, JANUARY 1	33,097	33,097	0	42,649	42,649	0
CASH, DECEMBER 31	$ 16,097	18,148	2,051	34,554	33,097	-1,457

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ROAD AND BRIDGE DEBT SERVICE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 4,000	8,531	4,531	4,000	4,501	501
Transfers in	100,000	100,000	0	100,000	100,000	0
Total Receipts	104,000	108,531	4,531	104,000	104,501	501
DISBURSEMENTS						
Transfers out	105,000	0	105,000	0	0	0
Total Disbursements	105,000	0	105,000	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,000	108,531	109,531	104,000	104,501	501
CASH, JANUARY 1	104,501	104,501	0	0	0	0
CASH, DECEMBER 31	$ 103,501	213,032	109,531	104,000	104,501	501

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 43,800	43,800	0	34,870	34,904	34
Interest	529	528	-1	600	579	-21
Other	90	90	0	130	577	447
Total Receipts	44,419	44,418	-1	35,600	36,060	460
DISBURSEMENTS						
Trial expenses	2,000	0	2,000	2,723	3,223	-500
Equipment	3,500	1,926	1,574	1,294	1,183	111
Bad check program	1,200	2,325	-1,125	0	0	0
Other	8,805	5,499	3,306	13,842	13,842	0
Transfers out	33,559	33,558	1	20,274	20,274	0
Total Disbursements	49,064	43,308	5,756	38,133	38,522	-389
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,645	1,110	5,755	-2,533	-2,462	71
CASH, JANUARY 1	72	71	-1	2,533	2,533	0
CASH, DECEMBER 31	$ -4,573	1,181	5,754	0	71	71

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 4,000	1,119	-2,881	2,752	2,815	63
Interest	175	18	-157	125	136	11
Total Receipts	4,175	1,137	-3,038	2,877	2,951	74
DISBURSEMENTS						
Contract labor	2,000	573	1,427	1,245	1,245	0
Office expense	2,175	0	2,175	100	0	100
Transfers out	0	0	0	3,214	3,213	1
Total Disbursements	4,175	573	3,602	4,559	4,458	101
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	564	564	-1,682	-1,507	175
CASH, JANUARY 1	473	473	0	1,980	1,980	0
CASH, DECEMBER 31	$ 473	1,037	564	298	473	175

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 15,494	15,494	0	15,000	13,376	-1,624
Interest	1,024	1,023	-1	1,500	821	-679
Total Receipts	16,518	16,517	-1	16,500	14,197	-2,303
DISBURSEMENTS						
Equipment and supplies	6,500	2,013	4,487	12,350	4,695	7,655
Microfilming	15,893	15,893	0	0	0	0
Other	1,200	0	1,200	2,499	1,868	631
Total Disbursements	23,593	17,906	5,687	14,849	6,563	8,286
RECEIPTS OVER (UNDER) DISBURSEMENTS	-7,075	-1,389	5,686	1,651	7,634	5,983
CASH, JANUARY 1	18,430	18,430	0	10,796	10,796	0
CASH, DECEMBER 31	$ 11,355	17,041	5,686	12,447	18,430	5,983

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF DRUG ENFORCEMENT

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	$ 25,000	13,916	-11,084	45,000	28,143	-16,857
Interest	0	231	231	0	434	434
Other	0	20	20	0	0	0
Total Receipts	25,000	14,167	-10,833	45,000	28,577	-16,423
DISBURSEMENTS						
Equipment	20,000	15,661	4,339	35,000	27,624	7,376
Other	5,000	71	4,929	2,500	0	2,500
Total Disbursements	25,000	15,732	9,268	37,500	27,624	9,876
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-1,565	-1,565	7,500	953	-6,547
CASH, JANUARY 1	1,668	1,668	0	715	715	0
CASH, DECEMBER 31	$ 1,668	103	-1,565	8,215	1,668	-6,547

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
25TH JUVENILE FPS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	$ 5,500	3,129	-2,371	4,000	4,281	281
Total Receipts	5,500	3,129	-2,371	4,000	4,281	281
DISBURSEMENTS						
Public safety	5,500	3,038	2,462	4,500	4,552	-52
Total Disbursements	5,500	3,038	2,462	4,500	4,552	-52
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	91	91	-500	-271	229
CASH, JANUARY 1	797	797	0	1,068	1,068	0
CASH, DECEMBER 31	$ 797	888	91	568	797	229

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PUBLIC FACILITIES AUTHORITY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	$ 0	3,695	3,695	50,000	18,634	-31,366
Interest	70,000	46,247	-23,753	75,000	48,952	-26,048
Other	707,500	721,671	14,171	84,197	1,143	-83,054
Transfers in	0	0	0	0	47,633	47,633
Total Receipts	777,500	771,613	-5,887	209,197	116,362	-92,835
DISBURSEMENTS						
Principal payment	0	0	0	550,000	550,000	0
Interest and interest rebate	0	0	0	48,943	48,943	0
Property acquisition	50,000	16,145	33,855	90,000	26,532	63,468
Maintenance costs	45,000	48,882	-3,882	74,744	64,535	10,209
Equipment	0	0	0	16,400	29,739	-13,339
Transfers out	82,382	82,382	0	141,873	141,872	1
Total Disbursements	177,382	147,409	29,973	921,960	861,621	60,339
RECEIPTS OVER (UNDER) DISBURSEMENTS	600,118	624,204	24,086	-712,763	-745,259	-32,496
CASH, JANUARY 1	494,079	494,079	0	1,239,338	1,239,338	0
CASH, DECEMBER 31	$ 1,094,197	1,118,283	24,086	526,575	494,079	-32,496

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COUNTY USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 13,100	13,098	-2	5,000	7,289	2,289
Repayment of cash advance	200,125	200,124	-1	750,000	876,611	126,611
Total Receipts	213,225	213,222	-3	755,000	883,900	128,900
DISBURSEMENTS						
Cash advance	243,793	243,793	0	842,989	792,766	50,223
Transfers out	102,437	102,436	1	14,511	14,511	0
Total Disbursements	346,230	346,229	1	857,500	807,277	50,223
RECEIPTS OVER (UNDER) DISBURSEMENTS	-133,005	-133,007	-2	-102,500	76,623	179,123
CASH, JANUARY 1	196,630	196,630	0	120,007	120,007	0
CASH, DECEMBER 31	$ 63,625	63,623	-2	17,507	196,630	179,123

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PUBLIC FACILITIES USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 16,000	14,749	-1,251	1,200	17,591	16,391
Repayment of cash advance	232,000	232,000	0	300,000	201,914	-98,086
Total Receipts	248,000	246,749	-1,251	301,200	219,505	-81,695
DISBURSEMENTS						
Cash advance	0	0	0	433,943	363,603	70,340
Transfers out	111,600	111,599	1	17,257	17,256	1
Total Disbursements	111,600	111,599	1	451,200	380,859	70,341
RECEIPTS OVER (UNDER) DISBURSEMENTS	136,400	135,150	-1,250	-150,000	-161,354	-11,354
CASH, JANUARY 1	107,932	107,932	0	269,286	269,286	0
CASH, DECEMBER 31	$ 244,332	243,082	-1,250	119,286	107,932	-11,354

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
E911 EMERGENCY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Phone charges	$ 305,000	316,995	11,995	284,000	305,045	21,045
Interest	9,000	15,210	6,210	6,500	9,949	3,449
Total Receipts	314,000	332,205	18,205	290,500	314,994	24,494
DISBURSEMENTS						
Dispatch contract	59,858	59,870	-12	54,619	54,619	0
City of Rolla contract	162,848	162,848	0	157,237	157,408	-171
Salaries and benefits	23,450	12,352	11,098	19,105	13,851	5,254
Ground control contract	15,200	15,200	0	15,200	15,200	0
Other	4,600	1,105	3,495	14,950	8,660	6,290
Total Disbursements	265,956	251,375	14,581	261,111	249,738	11,373
RECEIPTS OVER (UNDER) DISBURSEMENTS	48,044	80,830	32,786	29,389	65,256	35,867
CASH, JANUARY 1	205,629	205,629	0	140,373	140,373	0
CASH, DECEMBER 31	$ 253,673	286,459	32,786	169,762	205,629	35,867

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JAY WHITE ESTATE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Estate receipts	$ 0	4,309	4,309	5,500	7,165	1,665
Interest	22,000	6,703	-15,297	23,000	22,385	-615
Total Receipts	22,000	11,012	-10,988	28,500	29,550	1,050
DISBURSEMENTS						
Other	0	0	0	0	45	-45
Transfers out	22,385	22,385	0	41,000	22,675	18,325
Total Disbursements	22,385	22,385	0	41,000	22,720	18,280
RECEIPTS OVER (UNDER) DISBURSEMENTS	-385	-11,373	-10,988	-12,500	6,830	19,330
CASH, JANUARY 1	382,521	382,521	0	375,691	375,691	0
CASH, DECEMBER 31	$ 382,136	371,148	-10,988	363,191	382,521	19,330

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH DEPARTMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 610,703	574,449	-36,254	624,409	623,665	-744
Charges for services	137,455	120,030	-17,425	124,831	126,282	1,451
Other	89,626	97,353	7,727	23,119	48,666	25,547
Cash advance	27,970	27,969	-1	262,389	253,194	-9,195
Transfers in	95,000	95,000	0	93,884	93,884	0
Total Receipts	960,754	914,801	-45,953	1,128,632	1,145,691	17,059
DISBURSEMENTS						
Salaries	584,982	593,540	-8,558	591,612	586,519	5,093
Employee fringe benefits	127,648	123,204	4,444	120,501	120,926	-425
Office expenditures	158,650	131,750	26,900	183,458	189,243	-5,785
Repayment of cash advance	55,671	55,124	547	225,000	241,142	-16,142
Transfers out	5,733	6,724	-991	6,758	7,234	-476
Total Disbursements	932,684	910,342	22,342	1,127,329	1,145,064	-17,735
RECEIPTS OVER (UNDER) DISBURSEMENTS	28,070	4,459	-23,611	1,303	627	-676
CASH, JANUARY 1	940	940	0	313	313	0
CASH, DECEMBER 31	$ 29,010	5,399	-23,611	1,616	940	-676

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF BENEFIT FUND

		1997		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Other	$	0	0	0
Total Receipts		0	0	0
DISBURSEMENTS				
Equipment		51	51	0
Total Disbursements		51	51	0
RECEIPTS OVER (UNDER) DISBURSEMENTS		-51	-51	0
CASH, JANUARY 1		51	51	0
CASH, DECEMBER 31	$	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Y

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FAMILY SERVICES AND JUSTICE FUND

		1997		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Interest	$	74	74	0
Total Receipts		74	74	0
DISBURSEMENTS				
Other		8	8	0
Refund to other counties		2,177	2,177	0
Total Disbursements		2,185	2,185	0
RECEIPTS OVER (UNDER) DISBURSEMENTS		-2,111	-2,111	0
CASH, JANUARY 1		2,111	2,111	0
CASH, DECEMBER 31	$	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Z

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRISIS INTERVENTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 16,000	14,271	-1,729	15,000	14,077	-923
Total Receipts	16,000	14,271	-1,729	15,000	14,077	-923
DISBURSEMENTS						
Crisis Intervention	16,000	13,182	2,818	15,000	15,304	-304
Other	0	28	-28	0	0	0
Total Disbursements	16,000	13,210	2,790	15,000	15,304	-304
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,061	1,061	0	-1,227	-1,227
CASH, JANUARY 1	110	110	0	1,337	1,337	0
CASH, DECEMBER 31	$ 110	1,171	1,061	1,337	110	-1,227

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit AA

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL RECORDS FUND

		1997		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Other	$	0	0	0
Total Receipts		0	0	0
DISBURSEMENTS				
Expenses		468	468	0
Total Disbursements		468	468	0
RECEIPTS OVER (UNDER) DISBURSEMENTS		-468	-468	0
CASH, JANUARY 1		468	468	0
CASH, DECEMBER 31	$	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit BB

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 50,000	45,854	-4,146	21,000	21,997	997
Interest	500	953	453	0	52	52
Other	0	62	62	0	0	0
Total Receipts	50,500	46,869	-3,631	21,000	22,049	1,049
DISBURSEMENTS						
Salaries	14,000	10,962	3,038	18,035	18,015	20
Equipment	11,000	14,677	-3,677	1,570	1,570	0
Equipment maintenance	0	0	0	45	45	0
Debt service	25,000	23,331	1,669	0	0	0
Other	0	21	-21	0	0	0
Total Disbursements	50,000	48,991	1,009	19,650	19,630	20
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	-2,122	-2,622	1,350	2,419	1,069
CASH, JANUARY 1	2,419	2,419	0	0	0	0
CASH, DECEMBER 31	$ 2,919	297	-2,622	1,350	2,419	1,069

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit CC

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY CARE CLINIC

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 15,000	7,500	-7,500	0	0	0
Charges for services	8,000	13,676	5,676	2,704	3,989	1,285
Interest	200	738	538	100	141	41
Other	46,000	45,085	-915	24,938	26,169	1,231
Total Receipts	69,200	66,999	-2,201	27,742	30,299	2,557
DISBURSEMENTS						
Salaries and benefits	56,465	63,515	-7,050	22,118	21,123	995
Other	14,300	7,137	7,163	5,142	5,140	2
Total Disbursements	70,765	70,652	113	27,260	26,263	997
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,565	-3,653	-2,088	482	4,036	3,554
CASH, JANUARY 1	4,036	4,036	0	0	0	0
CASH, DECEMBER 31	$ 2,471	383	-2,088	482	4,036	3,554

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit DD

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
MARCH MEDIATION

	Year Ended December 31, 1998		
	Budget	Actual	Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 87,500	87,500	0
Total Receipts	87,500	87,500	0
DISBURSEMENTS			
Payroll expense	23,650	23,642	8
Mileage and training	4,177	4,173	4
Refund of grant monies	28,676	28,675	1
Contract attorney fees	600	600	0
Mediator	7,850	7,850	0
Office expense	14,544	14,543	1
Total Disbursements	79,497	79,483	14
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,003	8,017	14
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 8,003	8,017	14

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit EE

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT DIVISION INTEREST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	$ 8,500	7,441	-1,059	7,000	8,150	1,150
Total Receipts	8,500	7,441	-1,059	7,000	8,150	1,150
DISBURSEMENTS						
Office expenditures	2,100	8,357	-6,257	2,100	2,595	-495
Total Disbursements	2,100	8,357	-6,257	2,100	2,595	-495
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,400	-916	-7,316	4,900	5,555	655
CASH, JANUARY 1	0	10,730	10,730	0	5,175	5,175
CASH, DECEMBER 31	$ 6,400	9,814	3,414	4,900	10,730	5,830

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Law Library Custodian, or the Board for the Developmentally Disabled. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Law Library Fund for the years ended December 31, 1998 and 1997.

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Special Road and Bridge Fund	1997
Meramec Home Health Agency Fund	1997
Prosecuting Attorney Bad Check Fund	1997
25th Juvenile FPS Fund	1997
Health Department Fund	1997
Crisis Intervention Fund	1997
Circuit Division Interest Fund	1998 and 1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the Special Road and Bridge Fund for the years ended December 31, 1998 and 1997.

However, the budgets of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the Prosecuting Attorney Bad Check Fund for the year ended December 31, 1998.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Circuit Division Interest Fund and the Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Cash Advances

The county advances monies from the county Use Tax Fund and the Public Facilities Use Tax Fund to various other county funds to cover temporary cash flow problems which occur in those other funds. The unreimbursed advances at December 31, 1998 and 1997, were as follows:

	Year Ended December 31,		
	1998	1997	
Due From	Due to County Use Tax Fund	Due to County Use Tax Fund	Due to Public Facilities Use Tax Fund
General Revenue Fund	$ 177,824	97,000	155,000
Special Road and Bridge Fund	0	10,000	77,000
Health Center Fund	0	27,155	0
Total	$ 177,824	134,155	232,000

4. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $646,977 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $342,539. As of December 31, 1998, $128,456 remains to be paid.

5. Year 2000 (Y2K) Compliance

Phelps County staff have been in contact with suppliers or manufacturers of electronic equipment now in use in the Phelps County Courthouse (i.e., elevators, fire alarms, mechanical equipment, computer equipment, etc.). Steps either have been taken or are being taken to correct any known issues which have been identified. Most courthouse departments either have completed computer changes or are in the process of doing so. Funding has been designated for any necessary corrections. Funds have been expended for the past two years in preparation for Y2K, and have caused no serious financial hardship to the county. Phelps County does not anticipate any serious disruption of services due to Y2K.

Supplementary Schedule

Schedule

PHELPS COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct Program:			
10.unknown	Cooperative Law Enforcement and Cannabis Agre	N/A	$ 4,000	3,262
	Passed through state:			
	Department of Health - Special			
	Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	ER0045-8181	137,300	110,639
	Office of Administration -			
	Schools and Roads - Grants to			
10.7	States	N/A	86,762	109,813
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
	Public Safety Partnership and			
16.7	Community Policing ("Cops") Grants	N/A	1,876	6,515
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	15,085	26,974
	Passed through:			
	State Department of Public Safety -			
	Juvenile Justice and Delinquency Prevention - Allocation			
16.5	to States	97-JFJ240	22,302	0
16.6	National Criminal History Improvement Program	97-NCD15B-01	282	0
16.6	Crime Victim Assistance	97V0CA-57	8,836	0
16.6	Byrne Formula Grant Program	95RU-RX-K011	11,726	0
	Missouri Sheriffs' Association - Domestic			
16.unknown	Cannabis Eradication/Suppression Program	N/A	1,100	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	3215 09-58	57,339	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Social Services -			
	Special Programs for Aging - Title III, Part F-Disease			
93.0	Prevention and Health Promotion Services	N/A	2,892	672
93.3	Department of Health - Immunization Grants	PG0064-8181	16,812	8,128
	Department of Social Services - Child Support			
93.6	Enforcement	N/A	30,685	20,623

	Department of Health -			
93.6	Child Care and Development Block Grant	PG0067-8181	6,620	0
93.6	Child Care and Development Block Grant	ERO146-8181	1,082	318
	Program Total		7,702	318
::				
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Health -			
93.6	Grants to States for Access and Visitation Progr	AOC9000194	42,875	0
93.6	Grants to States for Access and Visitation Progr	AOC8000169	51,035	24,662
	Program Total		93,910	24,662
	Cooperative Agreements for State-Based			
	Comprehensive Breast and Cervical Cancer			
93.9	Early Detection Programs	ERO161-0036	10,243	22,187
	Maternal and Child Health Services			
94.0	Block Grant to the States	ER0146-8009	1,100	2,964
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO146-8181	55,569	45,505
	Maternal and Child Health Services			
94.0	Block Grant to the States	ERO175-8181	7,590	5,362
	Program Total		64,259	53,831
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
	Direct Program:			
94.0	Senior Companion Program	N/A	306,946	291,515
	Total Expenditures of Federal Awards		$ 880,057	679,139

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

PHELPS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Phelps County, Missouri, except for the programs accounted for in the Phelps County Public Housing Authority Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended September 30, 1998 and 1997.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the National Criminal History Improvement Program (CFDA number 16.544), and the Byrne Formula Grant Program (CFDA number 16.579), represent the cost of equipment received. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Phelps County, Missouri

Compliance

We have audited the compliance of Phelps County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Phelps County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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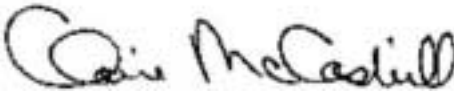
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Phelps County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Phelps County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Schedule

PHELPS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	__x__ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Woman, Infants, and Children
10.665	Schools and Roads - Grants to States
94.016	Senior Companion Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PHELPS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PHELPS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Findings

PHELPS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT FINDINGS

We have audited the special-purpose financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Phelps County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Phelps County Public Housing Authority and the Phelps County Regional Medical Center are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports for the years ended September 30, 1998 and 1997 and December 31, 1998 and 1997, respectively.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. This Management Advisory Report includes no findings arising from our review of the elected county officials referred to above.

This report is intended for the information of the management of Phelps County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

PHELPS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Phelps County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Procedures

   A. Interfund cash advances and repayments were reported in a manner that did not accurately reflect receipt and disbursement amounts.

   B. Actual disbursements exceeded budgeted amounts in several funds.

   Recommendation:

   The County Commission:

   A&B. Refrain from authorizing disbursements in excess of budgeted amounts. In addition, the County Commission should consider alternative ways of recording interfund cash advances in the county budgets to accurately reflect financial activity and conditions.

   Status:

   Partially implemented. Disbursements exceeded budgeted amounts for some funds in 1997 and only one fund in 1998. Budgets were adjusted each year to reflect interfund loans and interfund loan activity decreased significantly in 1998. Although not repeated in the current report, our recommendation remains as stated above.

2. Meramec Home Health Agency

   A. The Meramec Home Health Agency (MHHA) had not reimbursed the General Revenue Fund or the Public Facilities Authority Fund for services paid from those funds and reimbursed to MHHA from Medicare.

   B. Medicare Cost Reports indicated the MHHA was incurring overall operating losses, including costs paid by other county funds but not reimbursed by the MHHA Fund. In addition, cash advances from other funds had not been repaid and the financial reports were not reviewed by the County Commission prior to making cash advances to the fund.

Recommendation:

The County Commission:

A. Transfer $3,723 and $44,061 from the MHHA Fund to the General Revenue Fund and the Public Facilities Authority Fund, respectively, to reimburse those funds for services provided during the two years ended December 31, 1996. In the future, MHHA should annually reimburse all funds providing services to the MHHA for their proportionate share of Medicare cost reimbursements.

B. Evaluate the operations of those MHHA cost centers which are sustaining consistent losses and determine if measures can be taken to minimize these losses or if the county wishes to subsidize the cost of operating these cost centers. In addition, the number of cash advances made to the MHHA should be limited, and the MHHA should be required to submit financial reports to the County Commission.

Status:

A. The General Revenue Fund and the Public Facilities Authority Fund were reimbursed $3,723 and $44,061, respectively. Reimbursements were not made to the funds that provided services to the MHHA during the two years ended December 31, 1998; however, the county sold the MHHA to Phelps County Regional Medical Center for $225,000 on August 1, 1998.

B. Implemented. The county evaluated various alternatives and sold the MHHA to the Phelps County Regional Medical Center on August 1, 1998.

3. County Coroner's Salary

The County Coroner did not provide training certification or exemptions from training.

Recommendation:

The County Commission require the County Coroner to provide certification that he completed applicable classroom training in 1996 and 1995 or an exemption from training. If training certification or an exemption cannot be provided, the County Commission should pursue reimbursement of $1,000 from the County Coroner. In addition, the County Commission and County Clerk should require the County Coroner to provide certification of applicable classroom training before the $500 training allowance is paid.

Status:

Implemented.

4. Donation of Courthouse Space

The county provided courthouse office space rent-free to various not-for-profit organizations without obtaining written agreements.

Recommendation:

The County Commission review the donating of courthouse space to private organizations. If the county believes there is benefit to be derived and these are county provided services, the county should obtain written agreements with these organizations which clearly state the responsibilities of each party and benefits to be derived.

Status:

Partially implemented. The County Commission determined that all of these agencies provide necessary services to the citizens of the county. However, written agreements have not been entered into. Although not repeated in the current report, our recommendation remains as stated above.

5. Sheriff's Controls and Procedures

A. Accounting duties were not adequately segregated.

B.1. Receipt slips did not indicate mode of payment.

2. Checks were not restrictively endorsed upon receipt.

3. Receipts were not kept in a secure location.

4. Receipts were not deposited intact.

5. Receipts were not deposited on a timely basis.

C. Adequate accounting records were not maintained for the petty cash fund.

D.1. Some deposits into the drug seizure bank account were not made on a timely basis.
2. $15,980 relating to a dismissed case was being held in the drug seizure bank account.

E. Logs of Uniform Traffic Tickets (UTTs) assigned and issued were not maintained.

F. Vehicles logs were not maintained.

Recommendation:

The Sheriff:

A. Adequately segregate the recordkeeping duties and document periodic reviews of the accounting records.

B. Record the mode of payment on receipt slips and reconcile the composition of receipts to bank deposits. All checks should be restrictively endorsed upon receipt and all receipts kept in a secure location. Deposits should be made intact daily or when accumulated receipts exceed $100.

C. Maintain adequate supporting documentation and accounting records for the petty cash fund.

D. Ensure all receipts are deposited into the drug seizure bank account on a timely basis. The Sheriff should also remit the monies related to the dismissed drug forfeiture case to the defendants or dispose of the unclaimed monies as provided by state law.

E. Maintain traffic ticket logs accounting for the issuance and ultimate disposition of all traffic tickets and copies of all UTTs issued.

F. Maintain vehicle logs for all vehicles of the Sheriff's department. In addition, the County Commission should review these logs to monitor the usage of county-owned vehicles.

Status:

A. Partially implemented. Duties were further segregated. The monthly bank reconciliation is reviewed; however, there is no independent reconciliation of receipts to deposits. Although not repeated in the current report, our recommendation remains as stated above.

B. Partially implemented. The method of payment is recorded on receipt slips and bond forms. However, the composition of receipts is not reconciled to the composition of deposits. Beginning in 1999, checks are restrictively endorsed immediately upon receipt and receipts are kept in a secure location by the bookkeeper. Deposits are made three to four times per week. Although not repeated in the current report, our recommendation remains as stated above.

C. Implemented.

D. Partially implemented. The only drug seizure money received during the two years ended December 31, 1998 was interest earned on the bank account. The $15,980 was disbursed, but monies for cases closed during the two years ended December 31,

1998 were not disbursed. Although not repeated in the current report, our recommendation remains as stated above.

E. Not implemented. Officers maintain a copy of all tickets in the ticket book. However, a log is not maintained, which would help to account for all tickets. Although not repeated in the current report, our recommendation remains as stated above.

F. Partially implemented. The logs are maintained, but are not submitted to the County Commission for review. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PHELPS COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1857, the county of Phelps was named after John S. Phelps, a former Governor and member of Congress. Phelps county is a county-organized, third-class county and is part of the Twenty-Fifth Judicial Circuit. The county seat is Rolla.

Phelps County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Phelps County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 617,220	10	539,365	11
Sales taxes	1,668,643	27	1,742,922	35
Federal and state aid	1,907,134	31	1,413,421	28
Fees, interest, and other	1,962,157	32	1,312,993	26
Total	$ 6,155,154	100	5,008,701	100

The following chart shows how Phelps County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 1,740,136	31	1,539,021	30
Public safety	1,604,326	28	1,502,283	29
Highways and roads	2,297,088	41	2,097,925	41
Total	$ 5,641,550	100	5,139,229	100

The county maintains approximately 40 county bridges and 614 miles of county roads.
::

The county's population was 29,567 in 1970 and 35,248 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 179.0	173.9	110.5	62.1	30.7
Personal property	65.8	58.3	16.2	11.9	9.0
Railroad and utilities	14.6	13.6	8.9	7.6	3.9
Total	$ 259.4	245.8	135.6	81.6	43.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Phelps County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .15	.15
Special Road and Bridge Fund	.09	.09
Developmentally Disabled Fund	.09	.09

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		1999	1998
State of Missouri	$	77,846	74,067
General Revenue Fund		388,074	370,596
Special Road and Bridge Fund		247,394	234,815
Assessment Fund		103,641	99,305
Developmentally Disabled Fund		231,859	221,867
School districts		7,864,215	7,451,917
Ambulance district		70,144	69,257
Sewer fees		1,387	229
Cities		35,787	29,162
County Clerk		246	265
County Employees' Retirement		57,767	57,710
Commissions and fees:			
General Revenue Fund		169,519	164,967
Total	$	9,247,879	8,774,157

::

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	93.5 %	94.0 %
Personal property	92.3	91.4
Railroad and utilities	96.5	98.1

Phelps County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	50

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
Randy Verkamp, Presiding Commissioner	$		22,000	22,000
Glendon Klossner, Associate Commissioner			22,000	22,000
Ken Lenox, Associate Commissioner			22,000	22,000
Carol Bennett, County Clerk			33,500	23,965
Lucie Smith, County Clerk				9,535
Patrick King, Prosecuting Attorney			39,000	39,000
Donald H. Blankenship, Sheriff			40,000	40,000
Carol Green, County Treasurer			22,670	22,670
Larry Swinfard, County Coroner			8,000	8,000
Lou McFarland, Public Administrator *			37,167	32,194
Davis Haas, County Collector, year ended February 28,		42,400	42,400	
Jack Harris, County Assessor **, year ended August 31,			42,400	34,800
Robert Elgin, County Surveyor ***			0	0

* Includes fees received from probate cases.
** Includes $900 annual compensation received from the state.
*** Compensation on a fee basis.

State-Paid Officials:				
Carol Gaddy, Circuit Clerk and Ex Officio Recorder of Deeds			42,183	40,176
Mary Sheffield, Associate Circuit Judge			85,158	81,792
Ralph Haslag, Associate Circuit Judge			85,158	81,792

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
County Commission	7 *	0
Circuit Clerk and Ex Officio Recorder of Deeds	4	12
County Clerk	4	0
Prosecuting Attorney	9	0
Sheriff	20	0
County Treasurer	2 **	0
County Coroner	1	0
County Collector	2 ***	0
County Assessor	6	0

Probate Division	0		2
Road and Bridge	25		0
Health Center	23		0
Meramec Home Health Association	13	****	0
Senior Companions	4	**	0
Total	120		14

* Includes 4 part-time employees.
** Includes 2 part-time employees.
*** Includes 1 part-time employee.
**** Includes 10 part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Phelps County's share of the Twenty-Fifth Judicial Circuit's expenses is 33 percent.

AUDIT REPORT

VILLAGE OF NEW MELLE, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-50
August 4, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Village of New Melle, Missouri.

In 1998, New Melle operated ten months without an approved budget; it was not until October 1998 that the village's budget went into effect. In addition, as of March 30, 1999 the village budget for fiscal year 1999 had not been approved. Missouri state law requires governments to operate from approved budgets.

In addition to meeting state law requirements, a complete and well-planned budget can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist informing the public about the village's operations and current finances.

Funding for the Community Oriented Policing Services (COPS) grant program was to end in June 1999. The village has not documented a plan to address this significant reduction of revenues.

The village inaccurately reported disbursements on the quarterly Financial Status Reports to the COPS program, incorrectly paid officers who were not a part of the program to cover leave time, and requested more money than needed for disbursements each month through the COPS program. As a result, at December 31, 1998, federal reimbursements of $23,103 have been questioned.

In 1998, New Melle contributed $3,653 to an Individual Retirement Account (IRA) for five police officers, instead of participating in the state approved retirement program (LAGERS) *Missouri Local Government Employee's Retirement System*. The village is prohibited by state law from establishing its own retirement plan. We recommend the Board of Trustees review the legality of the village's retirement plan.

New Melle has one person serving as Village Clerk and Village Treasurer. This person's duties include making bank deposits, maintaining receipt and disbursement records and preparing financial reports. In addition, there is no independent review of the clerk's work.

Holding both of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions and jeopardizes the system of independent checks and balances intended by state law.

(over)

The village did not have formal written agreements with some companies or individuals providing services such as the Village attorney and accountant. We noted several checks payable to cash totaling $1,600. According to the City Clerk, the cash was used for gas for patrol cars. The village responded that in mid-1998 it issued credit cards for gasoline purchases and the practice of using petty cash was discontinued.

New Melle has not established a separate accounting for motor vehicle-related receipts, law enforcement training fees, and judicial education fees to ensure these funds were spent in accordance with applicable laws and regulations.

The municipal court division does not issue receipt slips for some monies received. Monthly listings of open items (liabilities) are not regularly prepared and reconciled to the bond account cash balances. Municipal summonses are not properly accounted for by either the police department or New Melle's municipal court division. The Court Clerk, who is also the Village Clerk, performs the duties of receiving, recording, disbursing, and depositing monies.

VILLAGE OF NEW MELLE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Village of New Melle
New Melle, Missouri 63365

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of New Melle, Missouri. Our audit of the village included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

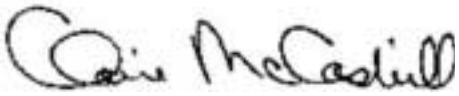
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the village of New Melle, Missouri.



Claire McCaskill
State Auditor

March 30, 1999

HISTORY AND ORGANIZATION

VILLAGE OF NEW MELLE, MISSOURI
HISTORY AND ORGANIZATION

The village of New Melle was incorporated in 1979 and is located in St. Charles County. The population of the village in 1990 was 206. The village elected to become a fourth class city in the April 1999 election.

The village government consists of a five-member board of trustees. The trustees are elected in staggered elections for two-year terms. The chairman is appointed by the board. The village trustees at December 31, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31,1998
Barry Shortt, Chairperson	April 2000	$ 0
Jan Muskopf, Trustee	April 2000	0
Wayne Welge, Trustee	April 2000	0
Gary Schneider, Trustee	April 1999(1)	0
Vicki Auping, Trustee	April 1999(2)	0

(1) Re-elected in April 1999.
(2) Replaced by Ernest B. Arteaga in April 1999.

Appointed officials	
Judy Anderson, Village Clerk/Treasurer, Court Clerk	$ 0
Brad Curdiff, Municipal Judge (3)	300
Joel Brett, Village Attorney	12,832
Mike Kern, Acting Police Chief	21,620

(3) Appointed in December 1998 to replace Andy Koor.

The village has an additional four employees.

The village has a general sales tax of one percent of retail sales within the village. The village does not have a property tax levy.

Assessed valuation information for the year 1998 is as follows:

ASSESSED VALUATION	
Real Estate	$ 4,324,669
Personal	1,784,179
Total	$ 6,108,848

Financial Activity for Year Ended December 31, 1998

	General Fund	Sewer Fund	COPS Grant	DPS Grant	Total
RECEIPTS					
Fines and court costs	$ 57,929	0	0	0	57,929
Sales taxes	33,794	0	0	0	33,794
House and property rent	13,819	0	0	0	13,819
Motor fuel and motor vehicle fees	8,193	0	0	0	8,193
Franchise taxes	6,417	0	0	0	6,417
Interest	2,779	0	0	0	2,779
Reimbursements on police equipment	2,220	0	0	0	2,220
Insurance refund	1,089	0	0	0	1,089
Licenses and fees	858	0	0	0	858
Proceeds from sale of police car	825	0	0	0	825
Community Development Block Grant	0	58,187	0	0	58,187
St. Charles PWSD #2 - sewer contribution	0	26,732	0	0	26,732
Community Oriented Policing Grants	0	0	128,000	0	128,000
Local Law Enforcement Grant	0	0	0	9,000	9,000
Other	424	0	5,945	0	6,369
Transfers in	3,194	0	6,972	1,000	11,166
Total Receipts	131,541	84,919	140,917	10,000	367,377
DISBURSEMENTS					
Salaries and fringe benefits	29,319	0	140,462	0	169,781
Utilities	5,168	0	0	0	5,168
Loan payment	6,701	0	0	0	6,701
Bond payment	6,321	0	0	0	6,321
Office supplies	3,565	0	0	0	3,565
Police expenses	40,857	0	0	10,000	50,857
State of Missouri	4,514	0	0	0	4,514
Attorney fees	12,832	0	0	0	12,832
Accounting fees	3,362	0	0	0	3,362
Sewer expenses	50	117,687	0	0	117,737
Court expenses	3,350	0	0	0	3,350
Repay use tax	1,785	0	0	0	1,785
Insurance	6,947	0	0	0	6,947
Rent	4,200	0	0	0	4,200
Other	3,160	0	0	0	3,160
Transfers out	7,972	0	3,194	0	11,166
Total Disbursements	140,103	117,687	143,656	10,000	411,446
RECEIPTS OVER (UNDER) DISBURSEMENTS	-8,562	-32,768	-2,739	0	-44,069
CASH AND CASH EQUIVALENTS, JANUARY 1,	80,457	61,585	7,366	0	149,408
CASH AND CASH EQUIVALENTS, DECEMBER 31,	$ 71,895	28,817	4,627	0	105,339
reconciled balance	71895	28817	4627	0	105339
difference	0	0	0	0	0

A summary of the financial activity of the village of New Melle for the year ended December 31, 1998, is presented on the next page.

MANAGEMENT ADVISORY REPORT

VILLAGE OF NEW MELLE, MISSOURI
SUMMARY OF FINDINGS

1. Financial Condition (page 9)

The village does not have a documented plan to address the significant reduction of revenues after the COPS program funding ends in June 1999.

2. Community Oriented Policing Services (COPS) Grant (pages 9-11)

The village incorrectly reported disbursements from the COPS program on the quarterly Financial Status Reports filed with the federal government. The village incorrectly paid General Fund officers from the COPS grant to cover COPS officers leave time and requested more money than required for disbursements each month. As a result, at December 31, 1998, federal reimbursements of $23,103 have been questioned.

3. Retirement Plan (page 11)

During the year ended December 31, 1998, the village contributed $3,653 to an Individual Retirement Account (IRA) for five police officers. The village is prohibited by state law from establishing its own retirement plan.

4. Budgets, Financial Reports and Minutes (pages 12-14)

The village did not approve the year ended December 31, 1998 budget until October 1998. The village's budgeted disbursements exceeded budgeted receipts and the actual disbursements exceeded budgeted disbursements. Board meeting minutes are not signed to indicate board approval. The board does not have formal written minutes for its closed meetings and the specific reasons for closed meetings are not documented. Annual financial reports were not filed on a timely basis with the State Auditor's office.

5. Accounting Records, Controls, and Procedures (pages 14-16)

The Village Clerk also serves as the Village Treasurer. The Board of Trustees and police officers have access to village funds and are not bonded. Checks and money orders are not restrictively endorsed until the deposit is prepared. The village does not have a formal policy regarding access to village records. The Board of Trustees has not established a personnel policy on vacation and sick leave, and compensatory time.

6. Disbursements (pages 16-17)

The village does not have formal written agreements with companies or individuals providing services such as the Village Attorney and the accountant. We noted several checks payable to cash totaling $1,600.

7. Mileage Logs (page 17)

The police department does not keep vehicle usage logs for the patrol cars.

8. Restricted Revenues (pages 17-18)

The village has not established a separate accounting for motor vehicle-related receipts, law enforcement training fees, and judicial education fees to ensure these funds are spent in accordance with applicable laws and regulations.

9. Municipal Court Division Controls and Procedures (pages 18-19)

The municipal court division does not issue receipts slips for some monies received. Monthly listings of open items (liabilities) are not regularly prepared and reconciled to the cash balance of the bond account. Municipal summonses are not properly accounted for by either the police department or the municipal court division. The Court Clerk, who is also the Village Clerk, performs the duties of receiving, recording, disbursing, and depositing monies.

1. Financial Condition

The village of New Melle established a police department in August 1994, with one part time officer. In 1996, the village began receiving monies from the U.S. Department of Justice under the Community Oriented Policing Services (COPS) program to fund five additional full-time police officer positions. During the year ended December 31, 1998, the village received approximately $128,000 in COPS program funding. Effective June 1999, the funding was to be discontinued.

Although facing a serious financial situation, the village has not documented a plan to address this significant reduction of revenues. Either receipts will need to be increased or services reduced to enable the village to meet its required financial obligations.

WE RECOMMEND the Board of Trustees establish a financial plan for the future of the village of New Melle.

AUDITEE'S RESPONSE

The village is well aware of the impact of the COPS grant expirations on our ability to provide police service and we have been in contact with the COPS office for the last year discussing the grants. We will provide more documentation of these efforts in the board meeting minutes and will develop a formal written plan for officer retention. We have obtained verbal permission from COPS to extend the grant period (not the amount) to March 2000 in order to give us time to implement a plan.

2. Community Oriented Policing Services (COPS) Grant

In 1996 the village started receiving grants totaling $481,412 from the U.S. Department of Justice under the COPS Universal Hiring (UH) and COPS Funding Accelerated for Smaller Towns (FAST) programs. The COPS FAST program provided a 75% grant to hire one officer for three years. The COPS UH program provided full funding to hire four officers for three years. The Department of Justice's Office of the Inspector General, Audit Division, completed an audit of the New Melle COPS grants. The audit report, dated November 13, 1997, and covering the entire grant period up to August 31, 1997, included eight recommendations. During our review of the village's resolutions to the recommendations and compliance with the grant requirements during the year ended December 31, 1998, we noted the following concerns:

A. The village reports grant disbursements to the COPS office quarterly on a Financial Status Report (FSR). The FSR shows the total disbursements, local disbursements, and federal disbursements for the previous quarter, the current quarter, and a cumulative for the grant period. The village reported $138,881 in total disbursements for the grant in 1998; however, actual grant disbursements totaled only $135,038. The following items were incorrectly claimed for reimbursement:

1) The COPS grant monies may be used to pay for officers' health, dental, and life insurance. The officers contribute money to the COPS account for family insurance coverage. The village then writes one check monthly from this account for all of these benefits. The village reported the entire check amount on two of the quarterly reports; however, because the family insurance coverage is reimbursed by the officers and not an allowable grant cost it should not be reported. The family coverage paid during the year totaled $1,781.

2) During the fourth quarter of 1998, the village paid for third quarter taxes for all officers of the village from the COPS account. The village's General Fund then reimbursed the COPS account for the amount of taxes paid that applied to officers paid from the General Fund. The payment of taxes included on the quarterly report was overstated $133.

A similar condition was also noted in the COPS audit report and the total amount owed to the COPS program at December 31, 1998 totals $18,257.

B. When officers paid by the COPS program are on sick or vacation leave, the village pays the officers who cover their shifts from the COPS program. These officers are normally paid from the General Fund. The village also continues to pay the COPS officers their regular pay while on leave. According to COPS personnel and the COPS grant manual this practice is not an allowable grant cost. The total amount paid for 1998 in these circumstances was $1,730.

C. The village of New Melle requests funds in advance from the COPS program to pay officers' salaries and benefits for the month. For 1998, the village of New Melle requested and received approximately $135,000 from the COPS program. The village reported on their four 1998 financial status reports (FSR) that federal disbursements totaled $131,884. The village requested and received $3,116 more than was expended for the year. The village should only request the amount required for actual disbursements for each month.

A similar condition was also noted in the COPS audit report.

WE RECOMMEND the Board of Trustees consult with the Department of Justice to resolve these costs and issues. In addition, the Board of Trustees should:

A. Prepare accurate quarterly financial reports for the COPS grants.
B. Ensure village officers are not being paid for COPS officers leave time with COPS monies.

C. Ensure requested advances are limited to disbursements for one month.

AUDITEE'S RESPONSE

A. The $18,000 noted as "owed to the COPS program" is almost entirely accounted for by certain disallowed uses of grant money to pay officers with supervisory duties in 1996. This was brought to our attention during the COPS audit in 1997 and we have been paying this $16,343.10 back in installments since mid-1998.

These accounting errors were noted and are being corrected.

B. It had been our understanding that grant money could be used to pay officers sick leave and vacation. Use of grant money for these purposes will be discontinued.

C. It should be noted that although requesting funds prior to actual payment has resulted in some monthly and annual imbalances, those imbalances have always been ultimately rectified. Our accounting practices will be modified to avoid monthly imbalances.

3. Retirement Plan

During the year ended December 31, 1998, the village contributed $3,653 to an Individual Retirement Account (IRA) for five police officers.

The village is prohibited by state law from establishing its own retirement plan. The Missouri Constitution, Article 6, Section 25 states that political subdivisions can only provide pensions for its employees when such authority is given to the political subdivisions by the General Assembly. No statutory authority has been given for villages to provide their own retirement plan. Section 70.600, RSMo, the statute creating the Missouri Local Government Employees' Retirement System (LAGERS), states its purpose as "providing for the retirement or pensioning of the officers and employees..of any political subdivision of the state.."

WE RECOMMEND the Board of Trustees review the legality of the village's retirement plan.

AUDITEE'S RESPONSE

We will review the legality of our current retirement plan and if necessary roll it over to the LAGERS plan.

4. Budgets, Financial Reports and Minutes

A. Our review of the village's budget noted the following concerns:

1) The village did not approve the budget for the year ended December 31, 1998, until October 1998. In addition, as of March 30, 1999, the budget for the year ending December 31, 1999, has not yet been approved. Section 67.080, RSMo, provides that no disbursement of public monies shall be made unless it is authorized in the budget.

2) A budget has only been prepared for the General Fund and not for the COPS Grant Fund and the Community Development Block Grant Fund. The budget did not include actual receipts and disbursements for the two previous years. In addition, the budget did not include actual and estimated cash and resources available at the beginning and end of the year, respectively, or a budget message.

   Section 67.010, RSMo, sets specific guidelines for the format, of the annual operating budget. A complete budget for each fund should be prepared, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding fiscal years.

3) Budgeted disbursements exceeded budgeted receipts in 1998 by $25,901. Section 67.010, RSMo prohibits municipalities to budget a deficit fund balance.

4) Actual disbursements exceeded budgeted disbursements in 1998 by $8,912. Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursement from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the disbursements.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist informing the public about the village's operations and current finances.

B. The annual financial reports for the years ended December 31, 1997 and 1996, prepared by the village were submitted to the State Auditor's office in an untimely manner. The annual financial reports for the years ended December 31, 1997 and

1996 were received by the State Auditor's office on February 2, 1999, and December 4, 1997, respectively. The annual financial report for the year ended December 31, 1998 was received by the State Auditor's Office on April 12, 1999. Section 105.145, RSMo, requires financial reports be filed annually with the State Auditor's office.

C. The board meeting minutes, including the list of bills for the month, are not signed by the chairman of the Board of Trustees nor any of the other board members.

The official board meeting minutes should be signed by the board members, or at least a designated member of the board, to provide an independent attestation that the minutes are a complete and correct record of the matters discussed and actions taken during the board's meetings. By signing the minutes the board also documents its approval of the list of bills for that month.

D. During our review of closed meetings, we noted the following concerns:

1) Formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Trustees. Formal written minutes for closed meetings result in a better record of village transactions, proceedings, and decisions. In addition, minutes help the village demonstrate that closed discussions or business relate to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo.

2) The board minutes and the meeting agendas do not consistently document the specific reasons for going into a closed session. The agendas and the minutes occasionally listed personnel issues as the reason to go into closed session. The board votes to go into closed session at each meeting.

Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to certain specified subject, including litigation, real estate transactions, personnel issues, some competitive bidding issues, confidential or privileged communications with auditors, etc. Section 610.022 RSMo, requires a closed meeting, record or vote be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

WE RECOMMEND the Board of Trustees:

A. Prepare complete and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the village. Any increases in disbursements should be approved by ordinance.

B. Ensure the annual financial reports are filed with the State Auditor's office in a timely manner.

C. Document its review and approval of the board minutes and list of bills by signing, or designating a board member to sign, the official copy of the minutes which includes the list of bills maintained by the Village Clerk.

D.1. Ensure minutes are prepared for all closed meetings.

2. Ensure minutes and agendas state the specific reasons for going into a closed session, as required by state law.

AUDITEE'S RESPONSE

A. The suggestions for improved annual budget development are well taken and will be implemented. This finding indicates that we had insufficient focus on our budget on an annual basis; however, we were very aware of and managed our running surplus/deficit on a monthly basis at each meeting.

The difference in budgeted receipts and disbursements noted in A.3. above is due to "cash on hand" not being included in the calculations. This was essentially an accounting error and the calculation has been corrected.

B. Future reports will be submitted on time.

C. Meeting minutes will be signed.

D. Minutes related to closed sessions will be documented as noted.

5. Accounting Records, Controls and Procedures

A. The village has one person that serves as the Village Clerk and the Village Treasurer. The duties of this official include maintaining receipt and disbursement records, making bank deposits, and preparing financial reports. The village also contracts with a bookkeeper to do check preparation and bank reconciliations.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the Village Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be

incompatible. The statutes pertaining to villages are similar to those cited in this opinion and, thus, the opinion's conclusion appears applicable to villages.

Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. The board should implement procedures to ensure a proper segregation of duties including, but not limited to, requiring that receipts are reconciled to deposits by someone independent of the receipting function.

B. The members of the board of trustees are authorized to sign checks; however, they are not bonded. Dual signatures are required on each check. Police officers receive fines and court costs monies during the day; however they are not bonded either. Failure to properly bond individuals who have access to funds exposes the village to risk of loss.

C. Checks and money orders are not restrictively endorsed until the deposit is prepared. To reduce the potential for loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. The village does not have a formal policy regarding public access to village records. A formal policy regarding access to village records would establish guidelines for the village to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making village records available to the public.

E. The Board of Trustees has not established a personnel policy on vacation and sick leave, and compensatory time. Currently, the police employees have been documenting when leave is taken on their time cards. The village does not document and monitor vacation and sick leave, and compensatory time earned, taken, paid, and accumulated.

A written personnel policy for all employees is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings. Adequate documentation of leave time earned and used is necessary to ensure that leave time is not abused.

WE RECOMMEND the Board of Trustees:

A. Consider appointing separate individuals to the positions of Village Clerk and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

B. Consider obtaining bond coverage for all individuals handling village monies.

C. Restrictively endorse checks and money orders immediately upon receipt.

D. Establish formal written policies and procedures regarding public access to village records.

E. Establish a written policy regarding compensatory, vacation, and sick leave. In addition, the village clerk should maintain leave records for all employees of vacation and sick leave and compensatory time earned, taken, paid, and accumulated.

AUDITEE'S RESPONSE

A. The village agrees that providing checks and balances in the handling of money is critical and it is important to note that no misuse of funds have been suggested by this audit. The village does employ an accountant for book keeping and account reconciliation. It is our proposal that in the absence of a volunteer to act as treasurer we could formalize the role of our accountant for an independent check and balance. This person would act independently from the Clerk/Treasurer and assist with other accounting tasks.

B. We will comply with the request to obtain bond insurance for all board members and police officers.

C.&D. Noted and will comply.

E. The police department will develop a written policy regarding employee time keeping and make available to the board a time keeping database.

6. Disbursements

A. The village does not have formal written agreements with some companies or individuals providing services. During our review, we noted the following disbursements without contracts during the year ended December 31, 1998:

Village attorney	$ 12,832
Accountant	2,053
Radio service maintenance	1,567

Section 432.070, RSMo, requires political subdivisions' contracts be in writing. Formal written agreements are necessary to document each party's duties and responsibilities.

B. We noted several checks payable to cash totaling $1,600. According to the City Clerk, the cash was used for gas for patrol cars. To reduce the risk of misuse of monies, the practice of writing checks payable to cash should be prohibited.

WE RECOMMEND the Board of Trustees:

A. Enter into written agreements for all services.

B. Prohibit the practice of making checks payable to cash.

AUDITEE'S RESPONSE

A. The village will develop written contracts for services such as our attorney, judge, and others where appropriate.

B. In mid-1998 the village issued credit cards for gasoline purchases and the practice of using petty cash was discontinued. The cash noted was used as indicated in this finding.

7. Mileage Logs

The police department does not keep vehicle usage logs for the three patrol cars. The logs should document beginning and ending odometer readings, destination, and purpose of each trip to provide additional assurance that the vehicles are used only for village business.

WE RECOMMEND the Board of Trustees require the village police department to prepare and maintain mileage logs for each patrol car, including beginning and ending odometer readings, destination, and purpose of each trip.

AUDITEE'S RESPONSE

We will add police car mileage records to our daily activity logs.

8. Restricted Revenues

The village receives monies that can only be used for specific purposes. Our review of the village's method of accounting for these monies disclosed the following concerns:

A. During the year ended December 31, 1998, the village received approximately $8,000 in motor vehicle-related revenues from the state. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The village has not established a

separate accounting for these receipts and the related disbursements to ensure compliance with the Constitutional obligation.

B. During the year ended December 31, 1998, the village collected $1,570 in law enforcement training fees. These fees are restricted for law enforcement training purposes as specified in Sections 590.100 through 590.180, RSMo. During 1998, the village paid $125 for law enforcement training. To ensure compliance with the law, the village should account for these receipts and ensure these monies are used for training purposes only.

C. During the year ended December 31, 1998, the village collected $785 in judicial education fees. These fees are restricted for municipal judges and court administrators training purposes as specified in Section 479.260, RSMo. During 1998, the village did not spend any monies on training for the municipal judge or court clerk. To ensure compliance with the law, the village should account for these receipts and ensure these monies are used for training purposes only.

WE RECOMMEND the Board of Trustees establish a mechanism to tract and account for the restricted receipts to ensure funds are spent in accordance with applicable laws and regulations.

AUDITEE'S RESPONSE

We will develop the tracking and compliance tools as indicated.

9.	Municipal Court Division Controls and Procedures

A. The municipal court division issues rediform receipt slips for cash received but receipt slips are not issued for all monies received. The receipt slips are not specifically printed for the court and receipt books are not consecutively numbered. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received, reconciled to composition of monies received and bank deposits, and the numerical sequence accounted for properly.

B. Monthly listings of open items (liabilities) are not regularly prepared and reconciled to the cash balance of the bond account. The Court Clerk prepared an open-items listing at our request as of March 6, 1999. The listing reconciled to the bond account balance of $7,179. No reconciliations of this type had been prepared previously.

To ensure that receipts and disbursements are properly handled and monies held in trust by the municipal court division are sufficient to meet liabilities, open-items listings should be prepared monthly and reconciled to the cash balance.

C. Although the Police Department maintains records of traffic ticket numbers assigned to officers and documents the ultimate disposition of each ticket, similar records are not maintained for municipal summonses. As a result, neither the Police Department nor the municipal court division can be assured that all summonses issued by the Police Department are properly turned in to the municipal court division for processing, or that all summonses on which a fine and court costs are due are collected and properly recorded by the court clerk.

D. The duties of receiving, recording, disbursing, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all these duties. There is little supervision or review of the work performed by the Court Clerk. The village has contracted with a bookkeeper to do bank reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. Any unusual items or discrepancies should be investigated.

WE RECOMMEND the village of New Melle Municipal Court Division:

A. Issue official prenumbered receipt slips for the monies collected, reconcile monies collected to the bank deposit, reconcile the composition of monies collected to the receipt slips and account for their numerical sequence.

B. Prepare and retain a monthly open-item listing and reconcile this listing to the cash balance.

C. Account for all summonses assigned to police officers and document the ultimate disposition of each summons.

D. Ensure the duties of recording transactions are adequately segregated from cash custody, and perform and document periodic reviews of the accounting records maintained and reconciliations prepared.

AUDITEE'S RESPONSE

A. We will issue prenumbered receipt slips as indicated.

B. Better record keeping will be implemented.

C. Summonses will be accounted for as indicated.

D. *As noted in our response to MAR No.5.A. we propose that our accountant be used to provide segregation of cash and record keeping responsibilities.*

This report is intended for the information of the management of the village of New Melle and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

AUDIT REPORT

RIPLEY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-49
August 2, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

<u>IMPORTANT</u>: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ripley, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Ripley County included additional areas of county operations, as well as the elected county officials. Some of the following problems were discovered as part of the audit:

< Several internal control recommendations from the prior audit were not implemented in the sheriff's office and $483 could not be accounted for.

< A lack of various internal control procedures existed in the assessor's office and $330 could not be accounted for.

Also included in the audit are recommendations to improve the accounting and control procedures for the county clerk, collector, prosecuting attorney, and the senior citizen's board. The audit also suggested improvements be made in the county's payroll and personnel policies and procedures.

<u>Copies of the audit are available upon request</u>.

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ripley County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ripley County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ripley County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ripley County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ripley County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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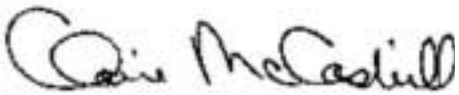
Ripley County, Missouri has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000 compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 18, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ripley County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ripley County, Missouri

We have audited the special-purpose financial statements of various funds of Ripley County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ripley County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ripley County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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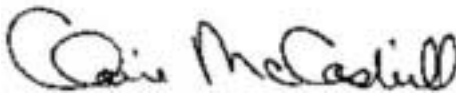
the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Ripley County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	263,267	531,531	435,064	359,734
CART		121,088	456,143	483,969	93,262
Assessment		385	155,140	155,078	447
Law Enforcement Training		24	3,071	2,519	576
Prosecuting Attorney Training		864	591	198	1,257
Health Center		158,256	380,223	335,997	202,482
Law Enforcement Sales Tax		13,812	463,556	475,918	1,450
Children's Trust		0	661	661	0
Crime Reduction		2,560	6,902	8,628	834
Crisis Intervention		1,522	723	707	1,538
Prosecuting Attorney Bad Check		3,729	9,391	11,171	1,949
Prosecuting Attorney Delinquent Tax		6,154	153	6,115	192
Recorder's User Fee		6,919	6,102	6,958	6,063
Senate Bill 40 Board		25,340	64,074	54,757	34,657
Senior Citizens		4,623	31,632	28,867	7,388
Law Library		5,926	6,910	8,597	4,239
Sheriff Civil Fees		3,793	10,621	7,242	7,172
Action Loan Account		0	100,000	100,000	0
Circuit Interest		3,042	510	1,642	1,910
Associate Interest		989	325	943	371
Total	$	622,293	2,228,259	2,125,031	725,521

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	238,129	442,551	417,413	263,267
CART		65,251	409,727	353,890	121,088
Assessment		1,484	84,210	85,309	385
Law Enforcement Training		837	2,697	3,510	24
Prosecuting Attorney Training		451	605	192	864
Health Center		173,911	350,867	366,522	158,256
Law Enforcement Sales Tax		67,686	441,831	495,705	13,812
Children's Trust		0	579	579	0
Crime Reduction		3,174	17,375	17,989	2,560
Crisis Intervention		1,558	247	283	1,522
Prosecuting Attorney Bad Check		2,095	6,783	5,149	3,729
Prosecuting Attorney Delinquent Tax		5,437	5,910	5,193	6,154
Recorder's User Fee		4,624	5,927	3,632	6,919
Senate Bill 40 Board		22,362	54,733	51,755	25,340
Senior Citizens		3,702	28,508	27,587	4,623
Law Library		3,854	4,897	2,825	5,926
Sheriff Civil Fees		0	3,793	0	3,793
Circuit Interest		647	2,515	120	3,042
CDBG Grant		0	65,921	65,921	0
Local Records Grant		2,287	3,338	5,625	0
LLEB Grant		0	4,010	4,010	0
Associate Interest		584	490	85	989
Total	$	598,073	1,937,514	1,913,294	622,293

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 165,000	196,047	31,047	165,000	170,582	5,582
Intergovernmental	89,000	90,047	1,047	94,450	95,395	945
Charges for services	102,350	107,685	5,335	105,100	110,446	5,346
Interest	15,000	20,317	5,317	15,000	15,672	672
Other	25,015	31,471	6,456	17,800	34,977	17,177
Transfers in	91,965	85,964	-6,001	14,100	15,479	1,379
Total Receipts	488,330	531,531	#VALUE!	411,450	442,551	#VALUE!
DISBURSEMENTS						
County Commission	36,120	34,932	1,188	35,700	35,283	417
County Clerk	49,594	40,664	8,930	51,144	43,999	7,145
Buildings and grounds	45,010	45,547	-537	41,700	48,951	-7,251
Employee fringe benefits	19,500	16,870	2,630	18,500	17,549	951
County Treasurer	16,670	14,928	1,742	15,540	14,749	791
County Collector	54,502	54,168	334	51,503	48,195	3,308
Circuit Clerk/Ex Officio Recorder of Deeds	25,600	25,832	-232	19,400	17,705	1,695
Associate Circuit Court/Probate	16,955	13,615	3,340	11,400	9,305	2,095
Court administration	7,700	9,239	-1,539	7,600	7,059	541
Public Administrator	12,664	13,309	-645	12,788	11,894	894
Prosecuting Attorney	14,825	11,957	2,868	17,555	16,612	943
Community projects	10,000	7,500	2,500	12,000	6,845	5,155
Other	53,983	50,369	3,614	43,400	37,497	5,903
Transfers out	123,240	96,134	27,106	88,686	101,770	-13,084
Emergency Fund	30,000	0	30,000	30,000	0	30,000
Total Disbursements	516,363	435,064	81,299	456,916	417,413	39,503
RECEIPTS OVER (UNDER) DISBURSEMENTS	-28,033	96,467	#VALUE!	-45,466	25,138	#VALUE!
CASH, JANUARY 1	263,267	263,267	0	238,129	238,129	0
CASH, DECEMBER 31	$ 235,234	359,734	#VALUE!	192,663	263,267	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CART FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 661,000	424,361	-236,639	360,000	391,483	31,483
Interest	7,000	9,382	2,382	5,000	7,052	2,052
Other	20,000	22,400	2,400	5,000	11,192	6,192
Total Receipts	688,000	456,143	-231,857	370,000	409,727	39,727
DISBURSEMENTS						
Salaries	90,000	95,130	-5,130	70,000	82,016	-12,016
Employee fringe benefits	14,300	17,537	-3,237	15,600	13,060	2,540
Supplies	44,000	54,084	-10,084	51,900	41,222	10,678
Insurance	3,000	6,387	-3,387	6,000	2,713	3,287
Road and bridge materials	41,900	23,464	18,436	26,000	38,817	-12,817
Equipment repairs	7,000	12,178	-5,178	5,000	6,658	-1,658
Rentals	1,000	797	203	1,500	556	944
Equipment purchases	68,000	61,599	6,401	62,000	55,467	6,533
Construction, repair, and maintenance	348,000	78,465	269,535	1,500	8,831	-7,331
CART allocations to road districts	110,000	101,052	8,948	80,000	87,853	-7,853
Other	24,330	12,636	11,694	100,200	5,597	94,603
Transfers out	20,640	20,640	0	11,100	11,100	0
Total Disbursements	772,170	483,969	288,201	430,800	353,890	76,910
RECEIPTS OVER (UNDER) DISBURSEMENTS	-84,170	-27,826	56,344	-60,800	55,837	116,637
CASH, JANUARY 1	121,088	121,088	0	65,251	65,251	0
CASH, DECEMBER 31	$ 36,918	93,262	56,344	4,451	121,088	116,637

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 139,973	140,637	664	25,000	25,243	243
Charges for services	500	567	67	350	549	199
Interest	250	769	519	400	243	-157
Other	0	167	167	0	175	175
Transfers in	15,710	13,000	-2,710	65,000	58,000	-7,000
Total Receipts	156,433	155,140	-1,293	90,750	84,210	-6,540
DISBURSEMENTS						
Assessor	90,281	89,754	527	89,661	85,309	4,352
Transfers out	65,324	65,324	0	0	0	0
Total Disbursements	155,605	155,078	527	89,661	85,309	4,352
RECEIPTS OVER (UNDER) DISBURSEMENTS	828	62	-766	1,089	-1,099	-2,188
CASH, JANUARY 1	385	385	0	1,484	1,484	0
CASH, DECEMBER 31	$ 1,213	447	-766	2,573	385	-2,188

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	865	865	0	676	676
Charges for services	2,115	2,116	1	1,500	1,465	-35
Interest	30	33	3	50	26	-24
Other	925	57	-868	1,210	180	-1,030
Transfers in	0	0	0	0	350	350
Total Receipts	3,070	3,071	1	2,760	2,697	-63
DISBURSEMENTS						
Sheriff	2,615	2,519	96	3,575	2,697	878
Transfers out	0	0	0	0	813	-813
Total Disbursements	2,615	2,519	96	3,575	3,510	65
RECEIPTS OVER (UNDER) DISBURSEMENTS	455	552	97	-815	-813	2
CASH, JANUARY 1	24	24	0	837	837	0
CASH, DECEMBER 31	$ 479	576	97	22	24	2

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 500	530	30	600	570	-30
Interest	0	61	61	0	35	35
Total Receipts	500	591	91	600	605	5
DISBURSEMENTS						
Prosecuting Attorney	500	198	302	600	192	408
Total Disbursements	500	198	302	600	192	408
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	393	393	0	413	413
CASH, JANUARY 1	864	864	0	451	451	0
CASH, DECEMBER 31	$ 864	1,257	393	451	864	413

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 87,062	94,001	6,939	75,633	81,539	5,906
Intergovernmental	228,372	249,377	21,005	232,588	243,468	10,880
Charges for services	2,000	1,421	-579	1,500	1,684	184
Interest	5,000	5,655	655	4,000	5,435	1,435
Other	26,124	29,769	3,645	16,000	18,741	2,741
Total Receipts	348,558	380,223	31,665	329,721	350,867	21,146
DISBURSEMENTS						
Salaries	266,558	259,432	7,126	257,825	249,358	8,467
Office expenditures	46,000	53,474	-7,474	43,296	40,533	2,763
Equipment	4,000	963	3,037	5,000	4,482	518
Mileage and training	9,000	7,357	1,643	9,000	7,786	1,214
Remodeling health center	0	0	0	50,000	49,473	527
Other	24,165	14,771	9,394	14,600	14,890	-290
Total Disbursements	349,723	335,997	13,726	379,721	366,522	13,199
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,165	44,226	45,391	-50,000	-15,655	34,345
CASH, JANUARY 1	158,256	158,256	0	172,869	173,911	1,042
CASH, DECEMBER 31	$ 157,091	202,482	45,391	122,869	158,256	35,387

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	$ 340,000	333,046	-6,954	340,000	339,454	-546
Intergovernmental	55,000	71,167	16,167	0	61,585	61,585
Charges for services	1,500	1,665	165	0	1,827	1,827
Interest	1,000	1,265	265	3,000	1,723	-1,277
Other	1,000	413	-587	60,250	6,429	-53,821
Transfers in	72,000	56,000	-16,000	30,000	30,813	813
Total Receipts	470,500	463,556	-6,944	433,250	441,831	8,581
DISBURSEMENTS						
Sheriff	203,425	192,325	11,100	227,770	236,967	-9,197
Jail	113,000	105,138	7,862	113,000	113,395	-395
Prosecuting Attorney	40,795	39,587	1,208	43,981	40,905	3,076
Juvenile Officer	62,500	88,791	-26,291	55,000	55,193	-193
County Coroner	14,500	8,910	5,590	14,100	11,785	2,315
Employee fringe benefits	28,000	26,751	1,249	25,500	28,216	-2,716
Other	15,350	14,416	934	14,750	9,244	5,506
Emergency Fund	5,000	0	5,000	4,000	0	4,000
Total Disbursements	482,570	475,918	6,652	498,101	495,705	2,396
RECEIPTS OVER (UNDER) DISBURSEMENTS	-12,070	-12,362	-292	-64,851	-53,874	10,977
CASH, JANUARY 1	13,812	13,812	0	67,686	67,686	0
CASH, DECEMBER 31	$ 1,742	1,450	-292	2,835	13,812	10,977

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 700	645	-55	650	565	-85
Interest	15	16	1	16	14	-2
Total Receipts	715	661	-54	666	579	-87
DISBURSEMENTS						
Haven House	715	661	54	666	579	87
Total Disbursements	715	661	54	666	579	87
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIME REDUCTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 6,000	6,779	779	4,500	5,200	700
Interest	100	123	23	400	329	-71
Public donations	0	0	0	9,021	9,021	0
Auction proceeds	0	0	0	2,825	2,825	0
Other	800	0	-800	154	0	-154
Total Receipts	6,900	6,902	2	16,900	17,375	475
DISBURSEMENTS						
Mileage and training	3,000	2,825	175	6,000	5,882	118
Equipment	1,000	512	488	1,500	1,108	392
Crime lab and drug task force dues	2,000	4,000	-2,000	0	2,000	-2,000
Protective vests	0	0	0	0	2,450	-2,450
Other	3,300	1,291	2,009	12,500	3,724	8,776
Transfers out	0	0	0	0	2,825	-2,825
Total Disbursements	9,300	8,628	672	20,000	17,989	2,011
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,400	-1,726	674	-3,100	-614	2,486
CASH, JANUARY 1	2,560	2,560	0	3,174	3,174	0
CASH, DECEMBER 31	$ 160	834	674	74	2,560	2,486

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRISIS INTERVENTION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 1,500	633	-867	600	153	-447
Interest	100	90	-10	80	94	14
Total Receipts	1,600	723	-877	680	247	-433
DISBURSEMENTS						
Family allocations	1,500	642	858	2,000	257	1,743
Administrative expenses	150	65	85	0	26	-26
Total Disbursements	1,650	707	943	2,000	283	1,717
RECEIPTS OVER (UNDER) DISBURSEMENTS	-50	16	66	-1,320	-36	1,284
CASH, JANUARY 1	1,522	1,522	0	1,558	1,558	0
CASH, DECEMBER 31	$ 1,472	1,538	66	238	1,522	1,284

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 8,900	9,225	325	5,500	6,526	1,026
Interest	150	166	16	50	153	103
Other	0	0	0	0	104	104
Total Receipts	9,050	9,391	341	5,550	6,783	1,233
DISBURSEMENTS						
Salaries and fringe benefits	3,850	3,850	0	0	932	-932
Office expenditures	1,400	1,638	-238	1,050	565	485
Equipment	225	201	24	0	1,001	-1,001
Mileage and training	800	890	-90	1,200	45	1,155
Library	1,200	1,151	49	1,900	1,577	323
Restitution payments	1,500	2,618	-1,118	0	407	-407
Victim rights	25	17	8	0	0	0
Other	3,350	806	2,544	1,350	622	728
Total Disbursements	12,350	11,171	1,179	5,500	5,149	351
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,300	-1,780	1,520	50	1,634	1,584
CASH, JANUARY 1	3,729	3,729	0	2,095	2,095	0
CASH, DECEMBER 31	$ 429	1,949	1,520	2,145	3,729	1,584

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	$ 0	0	0	5,700	5,697	-3
Interest	150	153	3	200	213	13
Total Receipts	150	153	3	5,900	5,910	10
DISBURSEMENTS						
Salaries and fringe benefits	3,000	3,000	0	0	0	0
Office supplies	200	24	176	175	161	14
Equipment	200	0	200	4,214	4,214	0
Library	650	715	-65	0	0	0
Mileage and training	0	1,122	-1,122	0	0	0
Other	2,225	1,254	971	825	818	7
Total Disbursements	6,275	6,115	160	5,214	5,193	21
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,125	-5,962	163	686	717	31
CASH, JANUARY 1	6,154	6,154	0	5,437	5,437	0
CASH, DECEMBER 31	$ 29	192	163	6,123	6,154	31

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,500	5,596	96	5,500	5,546	46
Interest	375	506	131	250	381	131
Total Receipts	5,875	6,102	227	5,750	5,927	177
DISBURSEMENTS						
Salaries and fringe benefits	0	0	0	4,500	3,000	1,500
Equipment	9,000	5,779	3,221	3,000	632	2,368
Office expenditures	0	534	-534	1,000	0	1,000
Postage	0	645	-645	0	0	0
Total Disbursements	9,000	6,958	2,042	8,500	3,632	4,868
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,125	-856	2,269	-2,750	2,295	5,045
CASH, JANUARY 1	6,919	6,919	0	4,624	4,624	0
CASH, DECEMBER 31	$ 3,794	6,063	2,269	1,874	6,919	5,045

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 58,042	61,835	3,793	52,891	53,597	706
Intergovernmental	0	1,092	1,092	0	185	185
Interest	600	1,147	547	750	951	201
Total Receipts	58,642	64,074	5,432	53,641	54,733	1,092
DISBURSEMENTS						
Current River Sheltered Workshop, Inc.	56,000	54,000	2,000	55,000	51,000	4,000
Liability insurance	700	420	280	700	555	145
Administrative expense	800	202	598	800	65	735
Bond	200	135	65	200	135	65
Total Disbursements	57,700	54,757	2,943	56,700	51,755	4,945
RECEIPTS OVER (UNDER) DISBURSEMENTS	942	9,317	8,375	-3,059	2,978	6,037
CASH, JANUARY 1	25,340	25,340	0	22,362	22,362	0
CASH, DECEMBER 31	$ 26,282	34,657	8,375	19,303	25,340	6,037

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZENS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	$ 29,655	30,940	1,285	26,466	27,541	1,075
Intergovernmental	0	9	9	0	200	200
Interest	0	683	683	0	767	767
Total Receipts	29,655	31,632	1,977	26,466	28,508	2,042
DISBURSEMENTS						
Naylor Senior Citizens Inc.	6,754	6,235	519	6,133	5,879	254
Ripley County Senior Citizens Inc.	12,000	11,128	872	11,244	11,244	0
Ripley County Transit Inc.	12,000	11,000	1,000	10,000	10,000	0
Other	555	504	51	555	464	91
Total Disbursements	31,309	28,867	2,442	27,932	27,587	345
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,654	2,765	4,419	-1,466	921	2,387
CASH, JANUARY 1	3,611	4,623	1,012	3,702	3,702	0
CASH, DECEMBER 31	$ 1,957	7,388	5,431	2,236	4,623	2,387

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	$ 5,000	6,160	1,160	1,850	4,897	3,047
Other	500	750	250	810	0	-810
Total Receipts	5,500	6,910	1,410	2,660	4,897	2,237
DISBURSEMENTS						
Library	8,357	8,597	-240	3,155	2,825	330
Total Disbursements	8,357	8,597	-240	3,155	2,825	330
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,857	-1,687	1,170	-495	2,072	2,567
CASH, JANUARY 1	5,931	5,926	-5	3,854	3,854	0
CASH, DECEMBER 31	$ 3,074	4,239	1,165	3,359	5,926	2,567

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	$ 7,000	9,207	2,207
Interest	0	364	364
Other	0	1,050	1,050
Total Receipts	7,000	10,621	3,621
DISBURSEMENTS			
Equipment	7,500	5,532	1,968
Radio repairs	2,500	0	2,500
Storage	0	1,050	-1,050
Other	0	660	-660
Total Disbursements	10,000	7,242	2,758
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,000	3,379	6,379
CASH, JANUARY 1	3,793	3,793	0
CASH, DECEMBER 31	$ 793	7,172	6,379

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ACTION LOAN ACCOUNT FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 100,000	100,000	0
Total Receipts	100,000	100,000	0
DISBURSEMENTS			
Lignetics of Missouri	100,000	65,463	34,537
Lignetics of Missouri utilities	0	34,537	-34,537
Total Disbursements	100,000	100,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT INTEREST FUND

	Year Ended December 31, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	$ 500	510	10
Total Receipts	500	510	10
DISBURSEMENTS			
Supplies and equipment	2,000	1,642	358
Total Disbursements	2,000	1,642	358
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,500	-1,132	368
CASH, JANUARY 1	3,042	3,042	0
CASH, DECEMBER 31	$ 1,542	1,910	368

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CDBG GRANT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 46,240	65,921	19,681
Transfers in	2,426	0	-2,426
Total Receipts	48,666	65,921	17,255
DISBURSEMENTS			
Elevator project	48,666	65,921	-17,255
Total Disbursements	48,666	65,921	-17,255
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL RECORDS GRANT FUND

	Year Ended December 31, 1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	$ 1,294	1,294	0
Interest	44	44	0
Transfers in	2,000	2,000	0
Total Receipts	3,338	3,338	0
DISBURSEMENTS			
Office expenditures	5,625	4,071	1,554
Transfers out	0	1,554	-1,554
Total Disbursements	5,625	5,625	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,287	-2,287	0
CASH, JANUARY 1	2,287	2,287	0
CASH, DECEMBER 31	$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ripley County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Senate Bill 40 Board, or the Senior Citizen's Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Associate Interest Fund	1998 and 1997
Sheriff Civil Fees Fund	1997
Circuit Interest Fund	1997
LLEB Grant Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998

CDBG Grant Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Law Library Fund	1998 and 1997
Circuit Interest Fund	1998 and 1997
Associate Interest Fund	1998 and 1997
CDBG Grant Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

Of the county's bank balance at December 31, 1998, $533,710 was covered by federal depositary insurance and $592,264 was covered by collateral securities pledged by one bank and held in the county's name by an affiliate of the same bank holding company.

Of the county's bank balance at December 31, 1997, $487,362 was covered by federal depositary insurance and $532,868 was covered by collateral securities pledged by one bank and held in the county's name by an affiliate of the same bank holding company.

Of the Health Center Board's bank balance at December 31, 1998, $100,000 was covered by federal depositary insurance and $106,587 was covered by collateral pledged by one bank and held by an affiliate of the same bank holding company but not in the Health Center Board's name.

Of the Health Center Board's bank balance at December 31, 1997, $100,000 was covered by federal depositary insurance and $59,849 was covered by collateral pledged by one bank and held by an affiliate of the same bank holding company but not in the Health Center Board's name.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received $67,525 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be $35,609. As of December 31, 1998, $13,352 remains to be paid.

Supplementary Schedule

Schedule

RIPLEY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 1998	1997
	U. S. DEPARTMENT OF AGRICULTURE			
10.unknown	Direct programs - National Forest Services			
	Marijuana Eradication Contract	N/A	$ 0	150
	Forest Patrol Contract	N/A	3,290	960
	Passed through state:			
	Department of Social Services - Food			
10.6	Distribution	IN-091-008	225	180
	Department of Health - Special			
	Supplemental Nutrition Program for			
10.6	Women, Infants, and Children	ER0045-9191	58,542	57,688
	Office of Administration -			
	Schools and Roads - Grants to			
10.7	States	N/A	156,320	122,034
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
	Community Development Block Grants/State's Program			
14.2	Rural Economic Assistance Program	97-MO-010	100,000	0
	Rural Economic Assistance Program	94-PF-034	0	65,921
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
	Public Safety Partnership and			
16.7	Community Policing ("Cops") Grants	95-CFW-1117	14,409	6,223
	Passed through:			
	State Department of Public Safety -			
16.6	Local Law Enforcement Block Grants Program	96-LBG-108	0	3,600
	Missouri Sheriffs' Association - Domestic			
16.unknown	Cannabis Eradication/Suppression Program	N/A	720	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and			
	Transportation Commission - Off-System			
	Bridge Replacement and Rehabilitation			
20.2	Program	BRO-091(7)	22,871	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.3	Department of Health - Immunization Grants	PG0064-9191IAP	5,060	3,755
	Department of Social Services - Child Support			
93.6	Enforcement	N/A	8,588	11,292

	Department of Health -			
93.6	Child Care and Development Block Grant	ER0146-9191CCH	1,325	1,386
	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer			
93.9	Early Detection Programs	ER0161-9003	8,123	15,212
	Maternal and Child Health Services			
94.0	Block Grant to the States	ER0146-9191MCH	27,985	22,843
	Total Expenditures of Federal Awards	$	407,458	311,244

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

RIPLEY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ripley County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $100,000 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 1998.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ripley County, Missouri

Compliance

We have audited the compliance of Ripley County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Ripley County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

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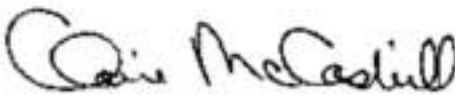
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Ripley County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Ripley County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 18, 1999 (fieldwork completion date)

Schedule

RIPLEY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes ___X___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___X___ none reported

Noncompliance material to the financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes ___X___ no

Reportable condition identified that is not considered to be a material weakness? _____ yes ___X___ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes ___X___ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.665	Schools and Roads-Grants to States
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Awards Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RIPLEY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RIPLEY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Findings

RIPLEY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT FINDINGS

We have audited the special-purpose financial statements of various funds of Ripley County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999. We also have audited the compliance of Ripley County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Ripley County Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers for the years ended August 31, 1998 and 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than the

findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Ripley County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Personnel and Payroll Policies and Procedures

Timesheets submitted by employees and approved by the employee's supervisor are not always accurate. We noted one employee who did not work for two days in January 1999. However, her timesheet indicated that she had worked those two days and the employee's supervisor approved the timesheet. In December 1998 another employee's timesheet indicated she worked on days where she did not and the employee's supervisor approved the timesheet. For this employee, the County Commission required the timesheet be changed to reflect the sick leave taken. Inaccurate timesheets do not provide for the equitable treatment of all employees and do not ensure the employee is only taking vacation and sick leave, etc. in accordance with the county's personnel policies. We also noted instances where compensatory time earned and taken was not calculated correctly and was not posted to the employee's leave records correctly. The county's leave records should accurately reflect compensatory time earned and taken.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be accurately prepared by the employee**,** reviewed and approved by the applicable supervisor, and filed with the County Clerk.

WE RECOMMEND the County Commission ensure accurate time sheets and leave records are maintained.

AUDITEE'S RESPONSE

County Commission:

The County Commission has verbally requested employees to submit accurate time sheets. After some concerns arose, the County Commission wrote a memo requesting accurate time sheets be submitted and the memo was given to each elected official.

County Clerk:

An attempt is made in my office to have someone other than the data entry person conduct a quality check of the sick days, vacation time, and compensatory time entered into the personnel records. A complete record review is performed when an employee terminates employment. I personally attempt to conduct a full review of the information on a quarterly or semiannual basis. At the time the auditors requested the information, I explained to them that the review had not yet been

performed due to my schedule at the end of 1998 with elections, preliminary budget preparation, etc. When omitted entries were brought to my attention, corrections were immediately made.

2. County Clerk's Accounting Controls and Procedures

A. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure that taxes charged and credited to the County Collector each year are complete and accurate.

Additionally, Section 51.150(2), RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can be used by the County Commission to verify the County Collector's annual settlements.

B. Various fixed asset purchases were not recorded in the fixed asset listing. Items not recorded in the records included an elevator (building improvement) for $234,235, land purchase for $4,000, mobile radio with scramble board for $1,555, alarm system for $885, three light bars for patrol cars for $695 each, three hand-held radios for $642 each, and seven police vests for $350 each. Excluding the first two items indicated, the other purchases were made by the Sheriff's office from special revenue funds established for the Sheriff's office. In addition, the County Clerk indicated she performs an annual physical inventory of fixed assets. However, the physical inventory was not documented and there was no explanation of how the items noted above were missed during the inventory.

Adequate general fixed asset records are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property.

Condition B was noted in our prior report.

WE RECOMMEND the County Clerk:

A. Establish and maintain an account book of the County Collector's transactions and the County Commission make use of this account book to verify the County Collector's annual settlements.

B. Maintain the general fixed asset records on a current basis to reflect all additions as they occur, and periodically reconcile additions of assets to expenditures for equipment to ensure additions are properly recorded. In addition, the County Clerk

should document the annual physical inventory performed and any adjustments made as a result of the physical inventory.

AUDITEE'S RESPONSE

County Clerk:

A. *Aggregate abstracts are completed which set forth the amounts with which the Collector is charged. Although I receive monthly collection reports from the Collector, I am not provided with information relating to additions, abatements or credits of personal property taxes and have only recently been provided the real estate tax information in a format that could be tracked. Without being provided the necessary information, I am unable to maintain an accurate account book. On past occasions, I have expressed concern to the State Auditor's office and to the County Commission about not being able to provide documentation for verification of the Collector's annual settlements.*

I have developed a form for the use of the Assessor to report erroneous real estate assessments in order that I can track the changes in assessed value. I have also requested that similar information be provided for additions, abatements and credits relating to personal property. I hope to begin receiving this information, and upon its receipt, I plan to set up a computer file (account book) to compile the information and provide documentation for verification of the Collector's annual settlement.

B. *With no asset inventory in place when I took office in 1995, I attempted to conduct a physical inventory and compile an asset listing for each county office. Most of the officeholders were very cooperative and assisted in providing information regarding the personal property in their offices. I have not yet received complete, accurate information from the office of the Sheriff. There also continues to be a problem tracking assets when property is disposed of or traded between offices.*

In response to the records not reflecting the land purchase and the elevator addition, it was not my understanding the asset inventory was to include real estate or improvements thereto. Section RSMo 51.155(2) makes reference to the fact that the County Clerk shall inspect and inventory all office equipment and machines, road machinery, farm supplies, equipment and produce on hand, and <u>all other personal property</u> belonging to the county...

County Commission:

A. *The County Commission will discuss this finding with the Assessor, Collector, and Clerk to help ensure the Clerk receives the information needed to maintain an account book. The County Commission will make use of the Clerk's account book to review the Collector's annual settlement.*

3. Assessor's Accounting Controls and Procedures

The Assessor's office sells maps and computer printouts to the public. However, the Assessor does not maintain adequate records to account for monies received. Our review noted the following concerns:

1. From December 1997 to January 1999, the Assessor's office receipts were at least $894 while only $564 was remitted to the County Treasurer. The difference of $330 is not accounted for and the shortage was not detected by the Assessor's office due to various control weaknesses indicated below. This difference is based on a comparison of Assessor's office receipt slips to the monies remitted to the County Treasurer.

   All payments made to the Assessor's office are accountable fees and should be remitted to the county treasury.

2. Receipt slips are not prenumbered and are not issued for some monies received. The Assessor's office indicated receipt slips are written for all cash receipts but would only be written for checks if requested by the payor. Prenumbered receipt slips should be issued for all money received to help ensure all monies are recorded and properly handled.

3. The Assessor's office accepts cash and checks for maps and computer printouts. The method of payment is not indicated on the receipt slips. To ensure receipts are handled properly, the method of payment should be indicated on all receipt slips and the composition (cash and checks) noted on receipt slips should be reconciled to the composition of the monies remitted to the County Treasurer.

4. Monies received are not remitted to the County Treasurer intact. We noted a personal check from an employee that was cashed from the receipts. In addition, when performing a cash count, we noted a $5 IOU from an employee was in the cash receipts. To ensure receipts are accounted for properly, personal checks should not be cashed from receipts and employees should not be allowed to borrow monies with an IOU.

5. Receipts are not remitted to the County Treasurer on a timely basis. We noted the Assessor's office remitted monies to the County Treasurer three times during 1998. In addition, no cash was remitted to the County Treasurer during 1998. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be remitted to the County Treasurer intact daily or when accumulated receipts exceed $100.

6. The Assessor's office was unable to locate receipt slips for January 1997 through November 1997. Per the County Treasurer's records, the Assessor remitted $581 to

the County Treasurer for the year ended December 31, 1997. Of this amount, cash remitted to the County Treasurer totaled $135. Retention of records is necessary to ensure the validity of transactions and provide an audit trail to account for all monies received. Section 109.270, RSMo 1994, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

With the problems indicated above and the lack of records, we could not determine if a cash shortage existed prior to December 1997.

WE RECOMMEND the Assessor:

1. Remit all receipts to the County Treasurer, including the $330 that cannot be accounted for. In addition, the County Commission should review this situation and decide if further investigation is warranted.

B. Issue prenumbered receipt slips for all monies received.

C. Indicate the method of payment on all receipt slips and reconcile the composition of receipt slips to the composition of monies remitted to the County Treasurer.

4. Transmit all receipts intact and discontinue the practice of cashing personal checks and allowing employees to borrow from receipts with an IOU.

E. Remit all monies to the County Treasurer intact daily or when accumulated receipts exceed $100.

6. Retain all records in accordance with the Secretary of State record retention guidelines.

AUDITEE'S RESPONSE

County Commission:

The County Commission will review this situation and determine if further investigation is warranted.

County Assessor:

Since this was our first audit, the Assessor will personally handle all deposits and monies. All receipts will be numbered and labeled cash or check. All records will be retained in the future in accordance with guidelines. All receipts will be transmitted intact to the County Treasurer and monies will be remitted once per month, which should be less than $100 per month. As for the discrepancy found and stated in Part A, I believe that is a result of poor records.

4. County Collector's Accounting Controls and Procedures

The County Collector's office processes receipts of approximately $3 million annually. Our review noted the following concerns:

A. Monies received are not deposited intact. Personal checks are cashed for county employees from the daily receipts. To ensure receipts are accounted for properly and deposited intact, personal checks should not be cashed from official tax receipts.

B. Deposits are made daily during November and December of each year. However, during other months, deposits are usually made at least weekly with an average deposit of about $5,600.

   To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

C. The County Collector accepts cash, checks, and money orders for the payment of property taxes. The tax receipts marked paid by the County Collector do not consistently indicate the method of payment. In addition, the composition of tax receipts is not reconciled to the composition of bank deposits.

   To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment should be indicated on all tax receipts, and the composition of receipts should be reconciled to the composition of deposits.

Conditions B and C were noted in our prior report.

WE RECOMMEND the County Collector:

A. Deposit all receipts intact and discontinue the practice of cashing personal checks.

B. Deposit intact daily or when accumulated receipts exceed $100.

C. Indicate the method of payment on all paid tax statements and reconcile the composition of paid tax statements to the composition of deposits.

AUDITEE'S RESPONSE

County Collector:

My chief concern in the operation of my office, is to ascertain that the total amount collected is the amount that is deposited. Every time we make a deposit, the total amount deposited is reconciled with the total amount collected.

The only personal checks that are cashed are the ones from my office employees. If there should ever be a problem with one of their checks, I will personally make up any discrepancies.

Our tax receipts are marked, indicating method of payment.

I do not know of any requirements or any statute that requires me to make daily deposits.

5. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney's office receives monies for bad check restitution and for court-ordered restitution payments. The former Prosecuting Attorney's term ended in December 1998 and the current Prosecuting Attorney took office in January 1999. We reviewed the accounting controls and procedures for both officials and noted the following concerns:

A. The former Prosecuting Attorney's office policy required bad check offenders to remit two money orders, one payable to the merchant for restitution and one payable to Ripley County for the bad check fee. The current Prosecuting Attorney requires the bad check offender to remit one money order for the restitution and fee combined. The money order is deposited into a checking account and checks are written to the merchant for restitution and to the County Treasurer for the bad check fee. Neither the former or current Prosecuting Attorney issued prenumbered receipt slips for monies received. Prenumbered receipt slips should be issued for all monies received to help ensure all monies are recorded and properly handled.

B. The former Prosecuting Attorney remitted the money orders for the bad check fee to the County Treasurer usually only once per month. The fees remitted totaled $9,225 and $6,526 during 1998 and 1997, respectively. The current Prosecuting Attorney makes bank deposits about once per week. To safeguard receipts and to reduce the risk of loss or misuse of funds, monies should be remitted to the County Treasurer and/or deposited in the bank account daily or when accumulated receipts exceed $100.

C. The former Prosecuting Attorney did not retain all records for bad check restitution. If bad check restitution was received prior to court, all documentation (bad check complaint form, bad check letter, copies of money orders, etc.) was disposed of. The only record retained was a log of bad check activity. The current Prosecuting Attorney needs to retain records necessary to ensure the validity of transactions and provide an audit trail to account for all monies received.

D. We noted instances where the former Prosecuting Attorney did not document the final disposition of bad check restitution cases. The current Prosecuting Attorney needs to implement procedures to ensure the final disposition is documented for each bad check restitution case.

E. The former Prosecuting Attorney did not prepare case fee sheets or maintain a record for each court-ordered restitution case. Instead, the procedure was to put a copy of the money order in the case file. Defendants were allowed to make partial payments; however, records and procedures were not adequate to ensure all payments were received and accounted for. The current Prosecuting Attorney needs to implement procedures and maintain records to ensure that accurate follow-up is performed to collect amounts owed and that all amounts received are properly disbursed to the victim.

Condition B was noted in our prior report.

WE RECOMMEND the current Prosecuting Attorney:

A. Issue prenumbered receipt slips for all monies received.

B. Deposit all monies received daily or when accumulated receipts exceed $100.

C. Retain all records until completion of the audit.

D. Implement procedures to ensure the final disposition is documented for each bad check restitution case.

E. Maintain case fee sheets or some other adequate record for court-ordered restitution and ensure all receipts and disbursements are received and accounted for.

AUDITEE'S RESPONSE

Current Prosecuting Attorney:

I was not in office during the period covered by your audit. I have completely revamped the collection procedures in the Prosecutor's office so that items A, B, C, D, and E are no longer relevant for the following reasons:

1. I now use prenumbered receipts for all bad check and restitution collections and I collect one money order for the entire amount due and deposit said funds in a Prosecuting Attorney Collection Account into which and out of which all income and expenses are logged.

2. I personally make regular deposits to the Prosecuting Attorney Collection Account and turn over the net check fee collections to the County Treasurer approximately once each month for deposit in the Bad Check Fund which is the source of all my office expenditures by warrant. I do make deposits to my collection bank account weekly and, if time permits, I will attempt to make deposits when accumulated receipts exceed $100 as recommended.

3. Records of every bad check are maintained permanently and indexed in a computer database that can trace every step of the collection process from initial complaint to final payout of

restitution or file closing without collection. All such files are cross referenced in the computer database that handles the Prosecuting Attorney Collection Account deposits and expenditures.

4. I do not take restitution cases unless payment is made to my office in full. Partial payments are not accepted and are returned to the defendant until full payment is available. When full payments are tendered in the form of a money order or cashier's check I deposit them to the Prosecuting Attorney Collection Account and immediately disburse the restitution by check to the recipient of the restitution so that I can permanently close the file without concern for keeping track of case status.

Former Prosecuting Attorney:

A. I agree that prenumbered receipt slips were not used.

B. I instructed my secretaries to make deposits at least once a week. Since I had several secretaries over the two year period working on this, it appears this was not always done.

C. My secretaries were instructed to keep copies of money orders only and I have no explanation why they disposed of them.

D&E. I agree that documentation needed to be better.

6. Sheriff's Accounting Controls and Procedures

The Sheriff's office collects various fees for service, gun permits, and garnishments. However, records have not been adequately maintained to account for monies received. Our review noted the following concerns:

A. From January 1997 to December 1997 during the former Sheriff's administration, the Sheriff's office receipts were at least $483 more than monies deposited into the Sheriff's bank account. These monies are not accounted for and the shortage was not detected by the Sheriff's office due to various weaknesses indicated below. The weaknesses indicated below are also applicable to the new Sheriff.

B. The duties of cash custody and record-keeping have not been adequately segregated. The bookkeeper is responsible for collecting cash, recording, depositing, and disbursing monies received. We noted no documented supervisory reviews performed by the Sheriff.

C. Receipts were not deposited on a timely basis. Generally, deposits were made monthly. In addition, the amount of the deposit was not reconciled to the amount of the receipt slips written. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited daily or when accumulated receipts

exceed $100 and the composition of the deposit should be reconciled to the composition of the receipt slips written.

D. Bank balances are not reconciled with the cash control records on a monthly basis. During our review, we noted a deposit that was recorded twice and bank charges that were not recorded on the cash control. Monthly bank reconciliations are necessary to ensure the cash control records are in balance and to ensure errors are identified and corrected on a timely basis.

E. An open-items (liabilities) listing is not prepared and reconciled to the cash control record on a monthly basis. Only by preparing open-items listings on a monthly basis and reconciling them to the cash can the Sheriff be assured that the records are in balance and that sufficient cash is available to cover liabilities.

F. Adequate control over seized property has not been established. A complete log of seized property is not maintained and periodic inventories of the property on hand are not conducted.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

Conditions B, C, and F were noted in our prior report.

WE RECOMMEND the Sheriff:

2. Remit all receipts to the County Treasurer. In addition, the County Commission should obtain $483 from the former Sheriff that cannot be accounted for and review this situation and decide if further investigation is warranted.

3. Implement procedures to segregate cash custody and recording functions and ensure there is supervisory review of the work performed.

4. Deposit all monies received daily or when accumulated receipts exceeds $100. In addition, reconcile the amount of the deposit including the cash/check composition of the deposit to the cash/check composition of the receipt slips.

D. Perform monthly bank reconciliations and reconcile to the cash control balance.

5. Prepare a monthly listing of open items and reconcile it to the cash balance.

6. Maintain a complete inventory record of all seized property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

AUDITEE'S RESPONSE

County Commission:

The County Commission will review this situation with the former Sheriff and decide if further investigation is warranted. If the former Sheriff does not make repayment in response to the audit report, the County Commission will send him a letter.

Sheriff:

A. All monies are sent to the County Treasurer and receipt logs are given to the County Clerk.

B&C. We have added columns to our receipt log to indicate method of payment (cash or check). Bank deposit slips are attached to the receipt log. The Sheriff reviews the bank deposit and receipt log before signing to document his supervisory review. Deposits will be made each Friday.

D. There will be a zero balance at the end of each month and canceled checks will be reconciled.

E. Since there will be a zero balance at the end of each month, a reconciliation to an open items list should not be necessary.

F. We implemented a computer program to account for seized property. We have completed a complete inventory of the evidence room and the inventory is being reviewed by the Prosecuting Attorney and the courts for future disposition.

7. Senior Citizens' Board

Although the County Treasurer handles the majority of the monies for the Senior Citizens Fund, the Senior Citizens' Board still handles a bank account which is used for making disbursements for miscellaneous items such as insurance and advertising expenses. There appears to be no statutory authority that allows the board to maintain a bank account outside the county treasury. Section 67.993, RSMo 1994, indicates the Senior Citizens Fund should be established within the county treasury. It appears the County Treasurer should be the custodian of all monies for the Senior Citizens Fund.

WE RECOMMEND the Senior Citizens' Board maintain all monies with the County Treasurer.

AUDITEE'S RESPONSE

Senior Citizen's Board President:

The Senior Citizen's Tax Fund checking account was returned to the Senior Citizen's Fund with the County Treasurer. Check number 124 was written on June 15, 1999, for $831 to close out this account.

This report is intended for the information of the management of Ripley County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

RIPLEY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ripley County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. County Procedures

   A. The County Commission did not retain twenty-percent ($65,200) of the special road and bridge tax levy for the county Special Road and Bridge Fund and did not obtain a contractual agreement with the special road districts indicating how these funds were to be used.

   B. Some invoices did not indicate the receipt of goods or services before payment was made.

   Recommendation:

   A. The County Commission retain 20 percent of special road and bridge tax monies in the Special Road and Bridge Fund or enter into written contractual agreements if these funds are provided to special road districts.

   B. The County Commission ensure all invoices contain an indication of receipt of goods or services before payment is made.

   Status:

   A. Implemented.

   B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

2. Budgetary Practices

   Expenditures in excess of approved budgeted expenditures were made from Law Enforcement Sales Tax Fund, Prosecuting Attorney Bad Check Fund, and CDBG Grant Fund.

   Recommendation:

   The County Commission and the elected officials refrain from incurring expenditures in excess of budgeted amounts. If additional funds are received which could not be estimated when the budget was adopted, the budget should be amended by following the procedures required by state law.

   Status:

Not implemented. However, improvement was made in this area as only the Law Library Fund for the year ended December 31, 1998 and the CDBG Grant Fund for the year ended December 31, 1997 incurred expenditures in excess of approved budgeted expenditures. Although not repeated in the current report, our recommendation remains as stated above.

3. General Fixed Asset Records and Procedures

General fixed asset records were not maintained prior to October 1996. We noted seven items totaling $117,806 that were purchased during the audit period prior to October 1996, that were not included on the fixed asset listing. Additions and deletions, since October 1996, were not recorded in the fixed asset records.

Recommendation:

The County Clerk maintain the general fixed asset records on a current basis to reflect all additions and disposition as they occur, and periodically reconcile additions of assets to expenditures for equipment to ensure additions are properly recorded. In addition, the County Clerk should document the annual physical inventory performed and any adjustments made as a result of the physical inventory.

Status:

Not implemented. See MAR No. 2.

4. County Collector's Accounting Controls and Procedures

A. The County Collector did not reconcile the bank account to the accounting records or maintain a book balance.

B. Deposits were made weekly instead of daily during most months.

C. The Collector did not reconcile the composition of cash, checks, and money orders received to bank deposits. The method of payment was not recorded for each receipt.

D. Court orders for additions and abatements were not approved by the County Commission.

E. The Collector did not collect one-half percent of 1996 current taxes collected, including current delinquent taxes, as compensation for mailing the statements and receipts resulting in approximately $12,000 distributed to various political subdivisions that should have been credited to the General Revenue Fund.

Recommendation:

The Collector:

A. Prepare monthly bank reconciliations and maintain a book balance that can be reconciled to the bank balance.

B. Deposit intact daily or when accumulated receipts exceed $100.

C. Indicate the method of payment on paid tax statements so that the composition of paid tax statements can be reconciled to the composition of deposits.

D. Submit all additions and abatements to the County Commission for review and approval.

E. Determine the amount due to the General Revenue Fund and adjust future distributions to pay back the General Revenue Fund.

Status:

A. Implemented.

B&C. Not implemented. See MAR No. 4.

D. Partially implemented. Real estate additions and abatements are submitted to the County Commission but personal property additions and abatements are not. The Assessor prepares an assessment sheet for personal additions and abatements. These sheets go to the Collector for collection or abatement of the tax. The Collector keeps track of total additions and abatements and reports them on his annual settlement, which the Commission reviews and approves. Although not repeated in the current report, our recommendation remains as stated above.

E. Implemented.

5. Sheriff's Accounting Controls and Procedures

A. Receipt slips did not indicate the method of payment received.

B. Receipts were not deposited intact on a timely basis and were not issued for some monies received. Postage was purchased from actual cash receipts.

C. Numerous items in the seized property room were not tagged to identify the property to a specific case and other items which were tagged did not always include sufficient information to identify the property to a specific case.

D. The duties of cash custody and record-keeping were not adequately segregated.

Recommendation:

The Sheriff:

A. Indicate the method of payment on all receipt slips and agree the composition of receipts to the composition of deposits.

B. Issue receipt slips immediately upon receipt for all monies, make all disbursements by check, and deposit all monies intact daily or when accumulated receipts exceed $100.

C. Ensure evidence/seized property room is kept in an orderly manner and tags are attached to property which adequately identifies the property to a specific case.

D. Implement procedures to segregate cash custody and recording functions and ensure there is supervisory review of the work performed.

Status:

A. Partially implemented. Receipt slips indicate the method of payment but the composition of receipts is not reconciled to the composition of deposits. See MAR No. 6.

B. Partially implemented. Receipt slips are issued for all monies and disbursements are made by check. However, monies are not deposited daily or when accumulated receipts exceed $100. See MAR No. 6.

C&D. Not implemented. See MAR No. 6.

6. Prosecuting Attorney's Accounting Controls and Procedures

A.1. Receipts for bad check fees were not remitted to the County Treasurer in a timely manner.

2. Monies collected for restitution were not always disbursed to the merchants in a timely manner.

B. Several bad checks on the bad check log could not be traced to fee reports and some bad checks on the fee reports could not be traced to the bad check log.

Recommendation:

The Prosecuting Attorney:

A. Make transmittals to the County Treasurer intact daily or when accumulated receipts exceed $100 and distribute restitution monies to merchants in a timely manner.

B. Maintain the bad check activity log in a manner that allows bad check activity to be appropriately monitored.

Status:

A. Restitution monies were distributed to merchants in a timely manner; however, transmittals to the County Treasurer were not timely. See MAR No. 5.

B. Implemented.

7. Circuit Clerk Accounting Controls and Procedures

Receipts were not deposited on a timely basis. Deposits were not made intact for the Circuit Clerk Fee Account or the Child Support Account.

Recommendation:

The Circuit Clerk deposit all monies intact daily or when accumulated receipts exceed $100. The composition of receipt slips should be reconciled to the composition of deposits.

Status:

Partially implemented. The composition of receipt slips is reconciled to the composition of deposits for the fee account and the child support account. Child support receipts are deposited daily. However, deposits for the fee account are usually made weekly. Although not repeated in the current report, our recommendation remains as stated above.

8. Ex Officio Recorder of Deeds Accounting Controls and Procedures

The fee book did not indicate the method of payment received and receipts were not deposited intact.

Recommendation:

The Ex Officio Recorder of Deeds indicate the method of payment for all monies received on the fee book and reconcile the composition of receipts per the fee book to the composition of monies deposited.

Status:

Partially implemented. The method of payment is indicated on the fee book but a reconciliation of the composition of receipts per the fee book to the composition of deposits is not performed. Although not repeated in the current report, our recommendation remains as stated above.

9. Associate Court's Accounting Controls and Procedures

Receipts were not deposited on a timely basis.

Recommendation:

The Associate Court deposit all monies daily or when accumulated receipts exceed $100.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RIPLEY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Ripley was named after General Eleazar W. Ripley, of the War of 1812. Ripley County is a county-organized, third-class county and is part of the Thirty-Sixth Judicial Circuit. The county seat is Doniphan.

Ripley County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Ripley County received its money in 1998 and 1997 to support the county General Revenue and CART (Special Road and Bridge) Funds:

	1998		1997	
SOURCE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	$ 196,047	20	170,582	20
Federal and state aid	514,408	52	486,878	57
Fees, interest, and other	277,219	28	194,818	23
Total	$ 987,674	100	852,278	100

The following chart shows how Ripley County spent monies in 1998 and 1997 from the General Revenue and CART (Special Road and Bridge) Funds:

	1998		1997	
USE	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	$ 423,107	46	400,801	52
Public safety	11,957	1	16,612	2
Highways and roads	483,969	53	353,890	46
Total	$ 919,033	100	771,303	100

The county received $463,556 and $441,831 for the Law Enforcement Sales Tax Fund for the years ended December 31, 1998 and 1997, respectively, to be used for public safety purposes.

The county maintains approximately 53 county bridges and 392 miles of county roads.

The county's population was 9,803 in 1970 and 13,626 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	$ 41.1	40.2	30.9	11.7	7.3
Personal property	15.8	14.5	4.0	4.5	2.6
Railroad and utilities	5.5	4.6	2.5	2.7	1.7
Total	$ 62.4	59.3	37.4	18.9	11.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ripley County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	$ .30	.30
CART (Special Road and Bridge) Fund*	N/A	N/A
Health Center Fund	.15	.15
Senate Bill 40 Board Fund	.10	.10
Senior Citizens Fund	.05	.05

* The county has nineteen special road districts that receive the tax collections from property within each district. All of this levy is retained by the road districts. One-fifth of this levy is not retained in the CART (Special Road and Bridge) Fund. However, the county has contracts with the special road districts indicating the one-fifth of the levy will be paid to the special road districts in exchange for the monies to be used for road maintenance.

::

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	$ 19,614	18,088
General Revenue Fund	201,082	185,610
Special Road Districts Fund	217,997	197,036
Assessment Fund	35,538	27,926
Health Center Fund	96,134	88,848
Senate Bill 40 Board Fund	63,061	58,382

School districts		1,769,198	1,638,542
Library district		107,995	99,732
Ambulance district		110,573	103,407
Hospital		189,236	175,178
Junior college		157,418	145,127
Fourchee Creek O & M		3,653	3,563
Naylor Drainage		11,318	11,587
Senior Citizens Fund		31,552	29,221
Tax sale costs		970	954
Tax sale surplus		2,237	7,567
Cities		9,773	8,053
County Clerk		1,178	1,271
County Employees' Retirement		21,716	21,122
Commissions and fees:			
General Revenue Fund		52,015	58,080
County Collector		223	0
Total	$	3,102,481	2,879,294

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	90.2 %	88.9 %
Personal property	83.5	87.4
Railroad and utilities	100.0	100.0

Ripley County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
Law Enforcement Sales Tax	$	.0050	N/A	N/A %

::

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		1999	1998	1997
County-Paid Officials:				
William D. Kennon Jr., Presiding Commissioner	$		10,700	10,700
Jesse Roy, Associate Commissioner			10,700	10,700
Ray Joe Hastings, Associate Commissioner			10,700	10,700
Becky Camden York, County Clerk			21,694	21,694
Paul Oesterreicher, Prosecuting Attorney			25,045	25,045
Michael Cochran, Sheriff			34,000	1,188
Sam Ruffino, Sheriff				32,812
Robert Featherston, County Treasurer			13,420	13,420
Howard Jackson, County Coroner			6,000	6,000
Corine (Thelma) Dean, Public Administrator *			11,648	9,944
Jerry D. Martin, County Collector,				

year ended February 28,	22,250	22,250	
Thomas Skaggs, County Assessor **, year ended August 31,		32,900	23,800
B.D. Henderson, County Surveyor ***			

* Includes fees received from probate cases.
** Includes $900 annual compensation received from the state.
*** Compensation on a fee basis.

State-Paid Officials:		
Roberta Belcher, Circuit Clerk and Ex Officio Recorder of Deeds	42,183	40,176
James Hall, Associate Circuit Judge	85,158	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by County	State
Circuit Clerk and Ex Officio Recorder of Deeds	1	2
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff*	11	0
County Collector	2	0
County Assessor	2	0
Associate Division	0	3
Road and Bridge	9	0
Health Center	9	0
Total	36	5

* Includes five part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Ripley County's share of the 36th Judicial Circuit's expenses is 24.09 percent.

AUDIT REPORT

LINN COUNTY, MISSOURI

EX-OFFICIO COUNTY COLLECTOR

PERIOD MARCH 1, 1999 TO MARCH 25, 1999
AND THE YEAR ENDED FEBRUARY 28,1999

From The Office Of State Auditor
Claire McCaskill

Report No. 99-48
July 30, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

A vacancy of the Linn County Collector was created when David Long resigned as Treasurer Ex-Officio Collector and was appointed Linn County Assessor on March 25, 1999. Pamela Reed was appointed the Linn County Ex-Officio Collector effective March 25, 1999.

Missouri state law requires the state auditor to conduct an audit of the office of County Collector after being notified of a vacancy in that office. The county is responsible for paying the costs of the audit.

State law requires the auditor to:

- Determine the financial condition of the accounts of the office.

- Determine the proper compensation that should have been paid to the replaced Ex-Officio County Collector in the past three years and the compensation actually paid during that period.

- File a report of the auditor's findings with the county governing body and the person appointed to fill the vacancy in the office.

The Ex-Officio County Collector's compensation was in accordance with statutory provisions receiving $32,742 during the three years ended February 28, 1999, and $2,099 for the period March 1, 1999 to March 25, 1999.

LINN COUNTY, MISSOURI

EX-OFFICIO COUNTY COLLECTOR

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State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENT

To the County Commission
and
Ex-Officio County Collector
Linn County, Missouri

We have audited the accompanying statement of revenues and expenditures of the Ex-Officio County Collector's Fund of Linn County, Missouri, for the period March 1, 1999 to March 25, 1999 and the year ended February 28, 1999, as identified in the table of contents. This statement is the responsibility of the Ex-Officio County Collector. Our responsibility is to express an opinion on this statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues--as amended by GASB Technical Bulletin 99-1*, requires disclosure of certain matters regarding the year 2000 issue. The Linn County Ex-Officio Collector has included such disclosures in Note 2. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 2. Further, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

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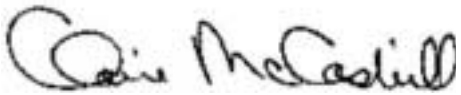
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph presents fairly, in all material respects, the revenues and expenditures of the Ex-Officio County Collector's Fund of Linn County, Missouri, for the period March 1, 1999 to March 25, 1999 and the year ended February 28, 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 23, 1999, on our consideration of the Ex-Officio County Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

April 23, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Ex-Officio County Collector
Linn County, Missouri

We have audited the statement of revenues and expenditures of the Ex-Officio County Collector's Fund of Linn County, Missouri, for the period March 1, 1999 to March 25, 1999 and the year ended February 28, 1999, and have issued our report thereon dated April 23, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the statement of revenues and expenditures of the Ex-Officio County Collector's Fund of Linn County, Missouri, is free of material misstatement, we performed tests of the Ex-Officio Collector's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the statement of revenues and expenditures of the Ex-Officio County Collector's Fund of Linn County, Missouri, we considered the Ex-Officio Collector's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of revenues and expenditures and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over

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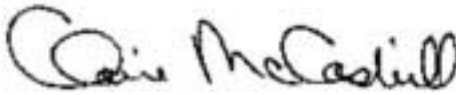
financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the statement of revenues and expenditures being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Ex-Officio County Collector and the management of Linn County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 23, 1999 (fieldwork completion date)

Financial Statements

Exhibit

LINN COUNTY, MISSOURI
EX-OFFICIO COUNTY COLLECTOR
SCHEDULE OF REVENUES AND EXPENDITURES

	Period March 1, 1999 to March 25, 1999	Year Ended February 28, 1999
REVENUES		
Property taxes	$ 49,946	5,585,172
Interest	107	48,991
Other	576	158,366
Less Provision for Uncollectible Accounts	-194	-416,695
Total Revenues	50,435	5,375,834
EXPENDITURES		
State of Missouri	275	29,817
General Revenue Fund	875	96,518
Special Road and Bridge Fund	4,274	43,390
Assessment Fund	0	63,962
Health Center Fund	2,059	223,673
Senate Bill 40 Board	1,735	184,043
Schools	32,029	3,544,466
Special Road Districts	0	67,189
Township Road and Bridge Fund	0	432,865
Townships	872	96,667
Fire Districts	202	32,840
Jefferson Township Bond	165	24,197
Locust Creek Township Bond	212	25,134
Ambulance District	2,571	276,003
Yellow Creek Watershed	0	1,699
Cities	0	104,553
County Clerk	24	233
County Employees' Retirement	2,262	14,755
Other	0	13,148
Commissions and fees:		
General Revenue Fund	2,880	56,670
Township Collectors	0	44,012
Total Expenditures	50,435	5,375,834
REVENUES OVER (UNDER) EXPENDITURES	$ 0	0

The accompanying Note to the Financial Statement is an integral part of this statement.

Notes to the Financial Statements

LINN COUNTY, MISSOURI
EX-OFFICIO COUNTY COLLECTOR
NOTES TO THE STATEMENT OF
REVENUES AND EXPENDITURES

1. Summary of Significant Accounting Policies

The Ex-Officio County Collector's Fund is an agency fund which is custodial in nature and does not involve measurement of results of operations.

The statement of revenues and expenditures for the period March 1, 1999 to March 25, 1999 and the year ended February 28, 1999, reflects amounts as shown on the records of the Ex-Officio County Collector on the modified accrual basis.

The statement included in this report does not include any of the operating costs of the Ex-Officio County Collector's office other than commissions retained. Operating costs are paid from the General Revenue Fund of the county.

2. Year 2000 Compliance

Research has been done on year 2000 issues through the internet and various other resources in order to be better prepared. Documentation has been collected and developed assessing the problem of year 2000 specifically to County Government. Linn County upgraded the computer system used in the Ex-Officio Collector's office in 1998 and have been assured by the upgrading vendor that the system is year 2000 compliant. Testing of the main frame computer system and individual computers has been done and satisfactory results were obtained. Should the computer system in the Treasurer/Collector office fail, operations could continue on a manual basis.

Management Advisory Report

LINN COUNTY, MISSOURI
EX-OFFICIO COUNTY COLLECTOR
MANAGEMENT ADVISORY REPORT

We have audited the statement of revenues and expenditures of the Ex-Officio County Collector's Fund of Linn County, Missouri, for the period March 1, 1999 to March 25, 1999 and the year ended February 28, 1999, and have issued our report thereon dated April 23, 1999. That report expressed a qualified opinion on the statement of revenues and expenditures.

A vacancy in this office was created when David Long resigned as Treasurer Ex-Officio Collector and was appointed County Assessor on March 25, 1999. Pamela Reed was appointed the Linn County Ex-Officio Collector effective March 25, 1999.

Section 52.150, RSMo 1994, requires the state auditor to conduct an audit of the office of County Collector after being notified of a vacancy in that office. The county is responsible for paying the costs of this audit.

Section 52.150, RSMo 1994, specifically outlines the state auditor's responsibilities as follows:

1. Determine the financial condition of the accounts of the office of the Ex-Officio County Collector.

2. Determine the proper compensation that should have been paid to the replaced Ex-Officio County Collector in the past three years and the compensation actually paid during such period; and

3. File a report of her findings with the county governing body and the person appointed to fill the vacancy in the office of Ex-Officio County Collector.

Section 52.150 RSMo 1994, provides the county commission shall accept the report of the state auditor and take, if necessary, certain specific actions if the state auditor finds any monies owing to the county or the past Ex-Officio County Collector.

The Ex-Officio County Collector received $32,742 annually during the three years ended February 28, 1999, and $2,099 for the period March 1, 1999 to March 25, 1999, in accordance with statutory provisions.

This report is intended for the information of the Ex-Officio County Collector and the management of Linn County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

AUDIT REPORT

OFFICE OF STATE TREASURER

YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-47
July 28, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

The following problems were discovered during the annual audit conducted of the Missouri State Treasurer's Office.

The State Treasurer's Office maintains numerous bank accounts to handle state monies. Due to the volume of activity, and the number and complexity of reconciling items, many of the main operating accounts are normally reconciled daily. However, one of these accounts, the Electronic Receipt Account, was not being reconciled on a timely basis. During our audit, we noted that the daily bank reconciliations for this account ranged from five to nine months behind. To allow errors and other reconciling items to be identified, researched, and corrected in a timely manner, bank reconciliations should be kept up-to-date.

The State Treasurer's Office did not properly transfer the excess fund balance from the Abandoned Fund Account Fund to the General Revenue Fund as required by state law. The Abandoned Fund Account Fund was established by state law to accept deposits of all abandoned property turned over to the state and to pay claims and expenses related to that abandoned property.

Audits and other reviews of deposits and loans related to several components of the Missouri First Linked Deposit Program were not being performed on a timely basis or in accordance with written procedures. Reviews of the amount of outstanding loans of Agriculture and Small Business program participants for deposits maturing in 1997 had not been performed as of December 1998. The State Treasurer's Office's written procedures for the Job Creation component require that, annually, 10 to 20 percent of maturing program deposits be selected for audit. However, for the last two years, deposits were only selected for audit if the borrower self-reported that they did not create or retain the required number of jobs, or if the number of jobs reported by the borrower exceeded the number of jobs indicated on Division of Employment Security records.

Regarding all findings, the State Treasurer's Office has generally agreed with the recommendations of the State Auditor, and has committed to making improvements in areas where concerns were noted.

OFFICE OF STATE TREASURER

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Bob Holden
State Treasurer
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Office of State Treasurer as of and for the year ended June 30, 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the financial position, results of operations, and cash flows of the Central Check Mailing Service Revolving Fund; the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of State Treasurer. These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues,* as amended by GASB Technical Bulletin 99-1, requires disclosures of certain matters regarding the year 2000 issue. The Office of State Treasurer has included such disclosures in Note 4. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter.

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Accordingly, insufficient audit evidence exists to support the Office of State Treasurer's disclosures with respect to the year 2000 issue made in Note 4. Further, we do not provide assurance that the Office of State Treasurer is or will become year 2000-compliant, that the office's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Office of State Treasurer does business are or will become year 2000-compliant.

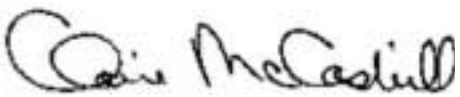
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements in Exhibits A through C present fairly, in all material respects, the financial position of the Central Check Mailing Service Revolving Fund as of June 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements in Exhibits D and E present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of State Treasurer as of and for the years ended June 30,1998 and 1997, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 31, 1998, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information, except for that presented in Schedule 5, has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, except for the effects, if any, of the matter discussed in the fourth paragraph, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole. We did not audit the information presented in Schedule 5 and, accordingly, we express no opinion on it.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

December 31, 1998 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Bob Holden
State Treasurer
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Office of State Treasurer as of and for the year ended June 30, 1998, and have issued our report thereon dated December 31, 1998. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of State Treasurer, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the office's ability to

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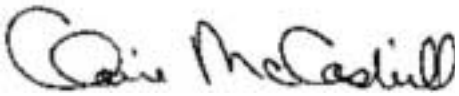
record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a material weakness, and this matter is presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Office of State Treasurer and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

December 31, 1998 (fieldwork completion date)

Financial Statements

Exhibit A

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE BALANCE SHEET

	June 30, 1998	June 30, 1997
ASSETS		
Cash and investments	$ 23,241	32,961
Accounts receivable	26,601	24,259
Prepaid postage	9,649	5,149
Equipment	17,300	17,300
Accumulated depreciation	-6,920	-5,190
Total Assets	$ 69,871	74,479
LIABILITIES AND EQUITY		
Accounts payable	$ 2,561	147
Total Liabilities	2,561	147
Equity:		
Contributed capital	50,000	50,000
Retained earnings - unreserved	17,310	24,332
Total Equity	67,310	74,332
Total Liabilities and Equity	$ 69,871	74,479

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

	Year Ended June 30,	
	1998	1997
OPERATING REVENUES		
Charges for services	$ 51,992	48,492
Total Operating Revenues	51,992	48,492
OPERATING EXPENSES		
Postage	49,093	40,583
Office supplies	8,191	6,642
Depreciation	1,730	1,730
Other	0	77
Total Operating Expenses	59,014	49,032
NET (LOSS)	-7,022	-540
RETAINED EARNINGS, JULY 1	24,332	24,872
RETAINED EARNINGS, JUNE 30	$ 17,310	24,332

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended June 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 49,650	47,553
Cash paid for operations	-59,370	-49,426
NET CASH (DECREASED) BY OPERATING ACTIVITIES	-9,720	-1,873
CASH, July 1,	32,961	34,834
CASH, June 30,	$ 23,241	32,961
RECONCILIATION OF OPERATING LOSS TO NET CASH (DECREASED) BY OPERATING ACTIVITIES		
Operating (loss)	$ -7,022	-540
Adjustments to reconcile operating loss to net cash (decreased) by operating activities:		
Depreciation	1,730	1,730
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable	-2,342	-939
Decrease (Increase) in prepaid postage	-4,500	-1,966
Increase (Decrease) in accounts payable	2,414	-158
Net Cash (Decreased) by Operating Activities	$ -9,720	-1,873

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH AND INVESTMENTS-ABANDONED FUND ACCOUNT FUND AND
TREASURER'S INFORMATION FUND

	Year Ended June 30,			
	1998		1997	
	Abandoned Fund Account Fund	Treasurer's Information Fund	Abandoned Fund Account Fund	Treasurer's Information Fund
RECEIPTS				
Unclaimed deposits, dividends, and interest from financial institutions	$ 16,073,254	0	21,184,632	0
Charges for services	0	3,645	0	1,309
Total Receipts	16,073,254	3,645	21,184,632	1,309
DISBURSEMENTS				
Refunds of unclaimed deposits	4,308,123	0	3,148,742	0
Expense and equipment	92,404	1,175	19,761	1,716
Total Disbursements (Note 3)	4,400,527	1,175	3,168,503	1,716
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,672,727	2,470	18,016,129	-407
TRANSFERS				
Transfers from General Revenue Fund-State	972,767	0	0	0
Transfers (to) General Revenue Fund-State	-12,821,764	-535	-18,231,108	0
Net Transfers	-11,848,997	-535	-18,231,108	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	-176,270	1,935	-214,979	-407
CASH AND INVESTMENTS, JULY 1	851,738	746	1,066,717	1,153
CASH AND INVESTMENTS, JUNE 30	$ 675,468	2,681	851,738	746

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

OFFICE OF STATE TREASURER

COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1998			1997		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
Personal service and/or expense and equipment	$ N/A	N/A	N/A	1,312,968	1,257,950	55,018
Expense and equipment	164,235	25,570	138,665	187,500	23,265	164,235
Personal service	1,286,864	1,119,725	167,139	N/A	N/A	N/A
Expense and equipment	709,224	503,849	205,375	N/A	N/A	N/A
Issuing duplicate checks	510,000	493,769	16,231	606,500	601,374	5,126
Services to monitor companies doing business in Northern Ireland	3,000	3,000	0	3,000	3,000	0
Unclaimed Property Section - personal service and/or expense and equipment	N/A	N/A	N/A	506,356	468,545	37,811
Outlawed checks	25,000	17,154	7,846	52,000	42,818	9,182
Lease and utility expense	2,940	2,236	704	3,900	2,316	1,584
Refunds of excess interest from the linked deposit program	4,000	3,169	831	4,000	0	4,000
Total General Revenue Fund - State	2,705,263	2,168,472	536,791	2,676,224	2,399,268	276,956
TREASURER'S INFORMATION FUND						
Expense and equipment	8,000	1,304	6,696	8,000	2,581	5,419
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Expense and equipment	75,000	61,785	13,215	75,000	49,268	25,732
HIGHWAY DEPARTMENT FUND						
Personal service	400,803	388,779	12,024	383,237	371,740	11,497
WORKERS' COMPENSATION - SECOND INJURY FUND						
Personal service and/or expense and equipment	N/A	N/A	N/A	32,860	19,513	13,347
Personal service	31,252	18,279	12,973	N/A	N/A	N/A
Expense and equipment	3,280	1,918	1,362	N/A	N/A	N/A
Total Workers' Compensation - Second Injury Fund	34,532	20,197	14,335	32,860	19,513	13,347
ABANDONED FUND ACCOUNT						
Expense and equipment	129,701	77,791	51,910	129,701	107,924	21,777

Payment of claims for abandoned property	4,500,000	4,475,992	24,008	5,000,000	3,245,625	1,754,375
Total Abandoned Fund Account	4,629,701	4,553,783	75,918	5,129,701	3,353,549	1,776,152
Total All Funds	$ 7,853,299	7,194,320	658,979	8,305,022	6,195,919	2,109,103

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule 1

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

	Year Ended June 30,				
	1998	1997	1996	1995	1994
OPERATING REVENUES					
Charges for services	$ 51,992	48,492	47,722	44,124	42,061
Total Operating Revenues	51,992	48,492	47,722	44,124	42,061
OPERATING EXPENSES					
Postage	49,093	40,583	35,157	31,417	29,114
Office supplies	8,191	6,642	7,860	3,439	1,775
Other	0	77	3,748	4,034	2,637
Depreciation	1,730	1,730	1,730	1,730	0
Total Operating Expenses	59,014	49,032	48,495	40,620	33,526
NET INCOME (LOSS)	-7,022	-540	-773	3,504	8,535
RETAINED EARNINGS, JULY 1	24,332	24,872	25,645	22,141	13,606
RETAINED EARNINGS, JUNE 30	$ 17,310	24,332	24,872	25,645	22,141

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	1998	1997	1996	1995	1994
Personal service	$ 1,526,783	1,538,219	1,413,645	1,303,238	1,231,166
Travel and vehicle:					
Expense	58,687	70,914	69,869	81,904	50,358
Equipment purchase	16,582	0	0	0	18,621
Office expense	75,902	78,433	82,004	78,655	79,051
Office and communication equipment purchase	33,369	38,506	25,457	52,338	22,028
Communication expense	119,960	114,757	98,709	100,401	96,366
Institution and physical plant:					
Expense	4,495	4,460	6,267	13,503	5,141
Equipment purchase	4,835	6,941	870	7,049	519
Data processing expense and equipment	217,903	315,264	340,290	233,374	201,309
Professional services	100,862	108,030	76,275	82,911	78,688
Refunds	4,990,084	3,889,817	3,370,787	3,705,008	6,864,977
Other expense	44,858	30,578	40,968	18,550	17,335
Total Expenditures	$ 7,194,320	6,195,919	5,525,141	5,676,931	8,665,559

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 1998

		Balance June 30, 1997	Additions	Dispositions	Balance June 30, 1998
Equipment	$	656,523	68,763	-99,550	625,736
Motor vehicles		20,871	0	0	20,871
Total General Fixed Assets	$	677,394	68,763	-99,550	646,607

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	1998	1997	1996	1995	1994
APPROPRIATED FUNDS					
Demand Deposits:					
United Missouri Bank (Note 8)	$ 0	0	0	0	100,156
Mercantile Bank (Note 8)	27,419,757	0	0	0	0
Central Bank (Note 8)	-168,421,915	-117,767,344	-124,164,306	-112,620,966	-120,301,972
Boatmen's National Bank (Note 8)	0	0	0	0	300,000
Collection bank accounts	4,990,343	5,797,090	7,173,967	3,689,262	12,823,032
Total Demand Deposits	-136,011,815	-111,970,254	-116,990,339	-108,931,704	-107,078,784
Time Deposits	421,840,092	424,192,952	443,560,755	373,787,703	337,038,912
U.S. government securities	3,048,280,491	2,607,059,674	2,016,995,009	1,178,679,028	1,097,117,263
Repurchase agreements	394,450,700	652,396,500	743,414,400	1,161,521,700	458,972,400
Other investments (Note 9)	10,130	10,130	10,130	10,130	18,880
Total Appropriated Funds (Schedule 5)	3,728,569,598	3,571,689,002	3,086,989,955	2,605,066,857	1,786,068,671
NONAPPROPRIATED FUNDS					
Demand Deposits (Note 8)	4,055	3,777	3,714	2,934	2,696
Repurchase agreements	8,420,300	8,796,800	11,733,900	11,501,700	10,968,000
Total Nonappropriated Funds (Schedule 6)	8,424,355	8,800,577	11,737,614	11,504,634	10,970,696
Total Cash and Investments (Note 7)	$ 3,736,993,953	3,580,489,579	3,098,727,569	2,616,571,491	1,797,039,367

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF "LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)
- - - - - - - - - - - - - -

	June 30,			
	1998	1997	1996	1995
General Revenue Fund	$ 1,455,967,248	1,410,053,968	1,205,618,451	793,794,677
Budget Stabilization Fund	128,169,446	121,444,844	29,032,747	23,699,999
Cash Operating Reserve Fund	261,985,315	245,143,210	232,375,970	212,987,699
Abandoned Fund Account	675,468	851,738	1,066,717	452,920
Abandoned Mine Reclamation Fund	517,196	425,633	333,140	244,420
Academic Scholarship Fund	90,165	N/A	N/A	N/A
Adjutant General - Federal Fund	2,169,055	991,749	941,476	1,444,736
Adjutant General Revolving Fund	215,508	201,779	178,235	120,176
Administrative Trust Fund	11,817,319	10,983,478	21,362,497	7,416,600
Agriculture Bond Trustee	N/A	N/A	0	0
Agriculture Development Fund	51,443	44,116	67,518	60,390
Aid to Dependent Children - Federal Fund	23	15,475,075	6,065,010	5,752,264
Alternative Care Trust Fund	1,723,174	1,917,931	2,012,486	2,486,372
Americans With Disabilities Act Compliance Fund	3,582,022	8,569,727	21,602,968	29,486,244
Animal Care Reserve Fund	175,110	187,238	213,130	197,331
Animal Health Laboratory Fee Fund	165,882	148,995	92,643	144,467
Apple Merchandising Fund	10,790	9,542	8,579	8,093
Aquaculture Marketing Development Fund	915	0	0	0
Athletic Fund	302,470	135,081	50,081	44,242
Attorney General - Federal and Other Fund	0	3,951	65,447	11,248
Attorney General Anti-Trust Revolving Fund	763,778	539,006	118,995	39,221
Attorney General Court Costs Fund	9,456	19,782	41,763	0
Aviation Trust Fund	419,947	351,216	739,619	464,535
Bingo Proceeds for Education Fund	8,700,240	6,402,442	5,576,436	6,464,179
Blind Pension Fund	3,047,200	2,481,180	2,330,359	2,565,172
Board of Barber Examiners Fund	182,031	211,982	223,337	246,523
Board of Embalmers and Funeral Directors Fund	307,630	309,368	278,366	273,847
Board of Geologist Registration Fund	63,448	61,213	129,540	N/A
Board of Pharmacy Fund	950,972	777,259	486,568	294,586
Board of Registration for the Healing Arts Fund	5,084,207	4,699,622	4,017,063	3,539,641
Business Service Extension Team Fund	3,081,493	2,159,428	600,000	N/A
Central Check Mailing Service Revolving Fund	23,241	32,961	34,834	35,053
Champ W. Smith & Mary C. Smith Memorial Endowment Trust Fund	384,158	385,333	385,542	384,299
Chemical Emergency Preparedness Fund	814,632	924,762	1,048,873	990,381
Child Labor Enforcement Fund	538	0	400	N/A
Child Support Enforcement Fund	4,564,833	3,969,118	7,390,081	2,891,820
Children's Trust Fund	3,334,529	3,927,446	3,032,308	2,963,009
Clinical Social Workers Fund	627,000	613,039	523,639	446,850
Coal Mine Land Reclamation Fund	785,075	2,104,021	2,317,888	3,145,585
Committee of Professional Counselors Fund	412,638	334,100	243,461	174,988
Commodity Council Merchandising Fund	483,754	490,697	392,615	416,588
Community Service Commission Fund	247,624	2,602	24,169	29,655
Compulsive Gamblers Fund	231,478	163,313	251,815	N/A
Concentrated Animal Feeding Operation Indemnity Fund	25,086	N/A	N/A	N/A
Confederate Memorial Park Fund	110,773	105,136	99,680	94,443
Confederate Memorial Trust Fund - Other Investments	N/A	N/A	N/A	N/A
Conservation Commission Fund	13,330,523	20,905,807	28,472,019	31,264,136

County Aid Road Trust Fund	116	115	715	715
Crime Victims' Compensation Fund	7,689,770	7,965,771	8,365,844	7,994,852
Criminal Justice Network and Technology Revolving Fund	465,281	N/A	N/A	N/A
Criminal Record System Fund	2,553,611	2,097,509	1,448,110	477,914
Crippled Children's Service Fund	236,808	208,075	128,520	182,390
Deaf Relay Service Fund	5,535,873	4,949,677	5,490,234	2,776,883
Debt Offset Escrow Fund	1,910,225	1,660,351	1,731,965	2,459,864
Dental Board Fund	391,213	428,688	334,653	405,860
Department of Agriculture - Federal Fund	42,287	36,822	48,781	44,660
Department of Corrections - Federal Fund	1,976,299	2,766,765	29,055	587,893
Department of Economic Development - Administrative Fund	23,240	133,766	194,483	144,718
Department of Economic Development - Community Development Block Grant - Administration Fund	29,202	10,065	54,872	14,009
Department of Economic Development - Community Development Block Grant - Pass-through Fund	794,099	1,113	9,198	936
Department of Economic Development - Federal and Other Fund	28,904	12,193	53,002	50,475
Department of Economic Development - Management Information Systems - Federal and Other Fund	129	129	335,465	71,752
Department of Economic Development - Missouri Council on the Arts - Federal and Other Fund	91,691	58,450	73,894	36,128
Department of Economic Development - Women's Council - Federal Fund	13,764	9,422	15,124	25,647
Department of Health - Donated Fund	35,978	39,287	68,084	75,744
Department of Health - Federal Fund	2,486,490	3,576,866	9,718,815	4,610,517
Department of Health Document Services Fund	81,388	117,093	58,083	48,529
Department of Health Institutional Gift Trust Fund	N/A	0	85,061	90,512
Department of Higher Education - Federal Fund	501	2,971	127	5,768
Department of Insurance Dedicated Fund Fund	7,608,108	6,879,262	6,659,032	5,459,324
Department of Labor and Industrial Relations - Commission on Human Rights - Federal Fund	459,014	266,036	99,261	82,689
Department of Labor and Industrial Relations - Crime Victims -Federal Fund	5	2,363	749,412	102,372
Department of Mental Health - Federal Fund	993,752	1,024,515	1,349,322	1,942,963
Department of Natural Resources - Federal and Other Fund	6,248,204	6,754,660	6,974,194	6,715,277
Department of Natural Resources Cost Allocation Fund	376,605	505,621	512,979	162,164
Department of Natural Resources Revolving Services Fund	1,109,291	286,380	150,307	95,335
Department of Public Safety - Federal Fund	1,671,251	437,999	1,453,689	752,093
Department of Public Safety - Highway Safety Fund	225,263	103,017	226,467	85,581
Department of Revenue - Federal Fund	306,779	92,139	102,031	117,965
Department of Revenue Information Fund	1,383,199	2,071,945	1,598,327	2,376,946
Department of Social Services - Educational Improvement Fund	2,529,585	1,837,069	1,513,491	1,163,892
Department of Social Services - Federal and Other Fund	563,673	432,880	419,675	946,992
Department of Social Services Administrative Trust Fund	123,985	409,227	142,820	109,116
Department of Transportation - Federal and Other Fund	385,715	236,924	109,765	206,656
Design and Construction Donated Fund	9	70	70	70
Division of Aging - Federal and Other Fund	1,286,012	1,144,830	5,955,873	3,013,944
Division of Aging Donations Fund	1,599	1,599	1,599	1,599
Division of Aging Elderly Home Delivered Meals Trust Fund	91,089	33,760	61,795	68,989
Division of Credit Unions Fund	201,774	165,921	116,302	50,536
Division of Family Services - Administrative Fund	12,670,786	20,317,294	6,649,538	13,866,014
Division of Family Services Donations Fund	255,947	104,625	2,917	120

Division of Finance Fund	1,677,342	998,299	892,250	1,145,978
Division of Labor Standards - Federal Fund	19,115	8,175	12,433	16,697
Division of Savings and Loan Supervision Fund	66,582	40,617	58,821	95,056
Division of Tourism Supplemental Revenue Fund	2,597,750	2,343,320	2,843,504	2,022,983
Division of Workers' Compensation - Federal Fund	N/A	N/A	N/A	0
Division of Youth Services - Federal and Other Fund	356,167	613,926	772,578	927,092
Doctor Edmund A. Babler Memorial - State Park Fund	878,430	795,267	733,857	553,507
Elementary and Secondary Education - Federal and Other Fund	2,255,211	4,139,133	3,211,951	2,746,541
Endowed Care Cemetery Audit Fund	200,767	428,045	413,773	332,616
Energy Set-Aside Program Fund	19,055,453	17,325,892	9,423,886	9,387,967
Escheats Fund	5,344,864	5,682,486	5,364,777	5,838,447
Excellence in Education Fund	1,463,130	1,819,363	1,781,758	2,169,471
Facilities Maintenance Reserve Fund	4,899,661	N/A	N/A	N/A
Fair Share Fund	637,682	2,293,510	2,154,173	2,625,368
Family Support Loan Fund	136,932	147,593	68,052	5,863
Federal - Missouri Department of Insurance Fund	0	0	0	12,700
Federal and Other Fund	68,165	8,391	10,901	21,915
Federal Drug Seizure Fund	1,090,286	386,019	264,745	633,816
Federal Reimbursement Allowance Fund	34,584,196	40,308,215	45,283,826	29,905,962
Federal Surplus Property Fund	1,487,737	1,192,200	1,399,555	1,517,194
Firing Range Fee Fund	1,434	1,468	1,468	2,814
Food Stamp EBT Settlement Fund	6,111,728	451,795	N/A	N/A
Fourth State Building - Series A 1995	N/A	123,747	43,574,913	74,716,059
Fourth State Building - Series A 1996	26,307,603	95,452,316	N/A	N/A
Fourth State Building - Series A 1998	50,159,038	N/A	N/A	N/A
Fourth State Building Bond and Interest Series A 1995	6,017,509	6,019,271	5,954,016	5,736,251
Fourth State Building Bond and Interest Series A 1996	10,204,154	10,113,814	N/A	N/A
Fourth State Building Bond and Interest Series A 1998	3,637,109	N/A	N/A	N/A
Gaming Commission Bingo Fund	56,337	139,176	109,238	47,204
Gaming Commission Fund	38,885,373	55,947,319	24,958,661	9,545,638
Gaming Proceeds for Education Fund	5,608,803	4,733,872	73,442,546	55,171,203
General Revenue Reimbursements Fund	66,031,946	48,436,550	40,802,712	N/A
General Revenue Fund Cultural Subaccount	0	0	N/A	N/A
Governor's Committee on Employment of the Handicapped - Federal Fund	219,173	126,874	72,470	13,137
Grade Crossing Fund	153,707	247,547	371,760	603,775
Grade Crossing Safety Account Fund	4,135,609	3,587,201	3,148,121	2,217,571
Grain Inspection Fees Fund	738,163	769,732	596,818	796,818
Groundwater Protection Fund	205,133	213,325	258,088	226,096
Handicapped Children's Trust Fund	1,072	1,072	1,072	1,072
Hazardous Waste Fund	164,890	143,634	234,834	341,153
Hazardous Waste Remedial Fund	3,755,085	5,196,767	4,940,112	5,350,537
Health Access Incentive Fund	1,332,552	1,620,413	949,763	586,357
Health Initiatives Fund	19,664,820	22,535,056	25,593,847	20,756,719
Health Spa Regulatory Fund	66,089	61,100	55,400	49,600
Hearing Instrument Specialist Fund	63,609	63,457	22,590	N/A
Highway Patrol Academy Fund	198,531	154,670	207,110	132,389
Highway Patrol Inspection Fund	2,890,935	1,954,321	907,766	2,278,809
Highway Patrol's Motor Vehicle and Aircraft Revolving Fund	3,551,287	3,433,301	2,782,727	2,355,464
Highway Revenue Generating Fund	3,622	3,622	476	74,212
Historic Preservation Revolving Fund	249,812	280,151	332,497	544,599
House of Representatives Revolving Fund	11,975	37,472	11,469	55,123
Independent Living Center Fund	348,815	330,153	292,699	168,799
Industrial Development and Reserve Fund	1,139,768	1,236,069	2,831,069	2,970,241
Industrial/Commercial Energy Conservation Loan Fund	N/A	N/A	3,259,563	3,108,365
Inmate Incarceration Reimbursement Act Revolving Fund	128,957	74,445	17,200	N/A
Inmate Revolving Fund	1,822,335	1,664,412	634,292	551,392

Insurance Examiners Fund	499,251	704,342	507,106	578,130
International Trade Show Revolving Fund	8,122	38,040	15,220	25,015
Job Development and Training Fund	315,394	173,792	2,172,703	279,970
Landscape Architectural Council Fund	40,536	42,812	40,849	56,684
Legal Defense and Defender Fund	264,292	79,569	438,952	116,309
Light Rail Safety Fund	2,280	N/A	N/A	N/A
Livestock Brands Fund	8,713	7,657	23,062	21,849
Livestock Dealer Law Enforcement and Administration Fund	7,509	4,002	2,585	2,356
Livestock Sales and Markets Fees Fund	7,404	3,515	5,641	11,001
Local Government Energy Conservation Loan Fund	N/A	N/A	3,450,904	3,051,925
Local Records Preservation Fund	1,401,340	1,476,824	1,705,616	1,931,737
Lottery Proceeds Fund	63,830,483	45,376,115	84,826,112	105,778,605
Mammography Fund	179,496	143,851	112,984	91,778
Manufactured Housing Fund	694,029	790,420	621,983	499,604
Marketing Development Fund	242,380	193,794	153,553	122,799
MCSAP/Division of Transportation - Federal Fund	176,190	158,192	199,343	109,555
Medical School Loan and Loan Repayment Program Fund	146,446	93,735	82,508	85,328
Mental Health Central Supply Fund	1,000	624,346	424,886	428,215
Mental Health Earnings Fund	663,821	922,331	1,071,063	32,205,083
Mental Health Housing Trust Fund	4,195	4,019	N/A	N/A
Mental Health Interagency Payments Fund	799,056	426,136	3,838	154,247
Mental Health Trust Fund	3,538,840	3,975,670	4,196,537	4,124,662
Meramec-Onondaga State Parks Fund	922,947	892,816	862,498	831,302
Merchandising Practices Revolving Fund	2,286,822	2,050,751	1,741,512	1,128,664
Metallic Minerals Waste Management Fund	206,286	214,991	198,160	170,368
Microfilming Service Revolving Trust Fund	35,837	32,488	32,476	31,915
Mined Land Reclamation Fund	3,561,740	1,975,801	1,288,426	1,550,731
Missouri Air Pollution Control Fund	1,041,691	982,130	791,774	840,354
Missouri Arts Council Trust Fund	13,484,355	8,513,606	3,960,651	N/A
Missouri Board Of Occupational Therapy Fund	121,777	N/A	N/A	N/A
Missouri Breeders Fund	71,791	72,027	68,295	65,677
Missouri Capital Access Program Fund	242,500	242,500	N/A	N/A
Missouri Children's Service Commission Fund	15,125	14,425	13,679	12,931
Missouri Commission for the Deaf Board of Certification of Interpreters Fund	13,330	12,314	7,222	N/A
Missouri Community College Job Training Program Fund	0	651,542	597,886	178,415
Missouri Consolidated Health Care Plan Benefit Fund	0	0	0	0
Missouri Crime Prevention Information and Programming Fund	0	0	0	N/A
Missouri Disaster Fund	415,866	151,142	543,878	269,171
Missouri Health Care Providers Fund	70	191,692	191,226	124,199
Missouri Horse Racing Fund	0	88	88	150
Missouri Housing Trust Fund	4,031,191	3,750,405	3,628,745	2,343,493
Missouri Humanities Council Trust Fund	205,132	100,687	N/A	N/A
Missouri Job Development Fund	489,093	3,913,201	4,652,690	6,387,840
Missouri Main Street Program Fund	101,808	97,000	N/A	N/A
Missouri National Guard Training Site Fund	75,654	66,140	83,796	57,954
Missouri Office of Prosecution Services Fund	50,762	31,995	34,382	45,945
Missouri Office of Prosecution Services Revolving Fund	2,976	N/A	N/A	N/A
Missouri Prospective Teachers Loan Fund	16,194	16,039	15,679	14,649
Missouri Public Health Services Fund	886,467	527,319	810,035	578,275
Missouri Real Estate Commission Fund	2,685,005	2,693,099	1,966,173	1,819,784
Missouri Rehabilitation Center Fund	0	103	997,355	313,613
Missouri State Employees' Deferred Compensation Incentive Plan Administration Fund	0	0	0	N/A
Missouri Student Grant Program Gift Fund	2,049	1,299	1,029	310
Missouri Technology Investment Fund	567,557	1,232,185	3,992	N/A
Missouri Veterans Commission-Federal Fund	9,900	120,075	723,016	14,242

Missouri Veterans Homes Fund	1,252,111	2,595,299	2,962,377	2,845,789
Missouri Water Development Fund	571,272	24,414	562,160	0
Mortgage Broker Administration Fund	N/A	N/A	120,079	139,176
Motor Fuel Tax Fund	25,911,286	18,909,417	23,717,963	24,883,871
Motor Vehicle Commission Fund	1,676,461	1,423,650	1,264,518	1,115,825
Motorcycle Safety Trust Fund	731	4,815	2,385	N/A
Natural Resources Protection Fund	168,613	414,965	451,428	651,136
Natural Resources Protection Fund - Air Pollution Asbestos Fee Subaccount Fund	924,912	946,612	826,724	642,415
Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	17,997,200	17,029,875	15,753,540	13,765,237
Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	6,135,419	4,451,449	2,783,087	2,667,125
Nursing Facility Federal Reimbursement Allowance Fund	1,272,409	1,591,338	974,588	625,780
Nursing Facility Quality of Care Fund	2,914,493	2,377,970	748,102	203,012
Office of Administration - Federal and Other Fund	345,504	790,198	792,689	617,091
Office of the State Public Defender - Federal and Other Fund	18,487	21,299	27,397	21,490
Oil and Gas Remedial Fund	18,893	23,414	30,045	3,414
Optometry Fund	105,812	104,829	95,814	103,735
Organ Donor Program Fund	606,071	475,618	124,099	N/A
Outstanding Schools Trust Fund	389,313,169	363,106,043	273,601,228	196,067,202
Pansey Johnson-Travis Memorial State Gardens Trust Fund	751,620	710,291	672,423	636,028
Pansey Johnson-Travis Stocks and Securities Trust Fund	10,130	10,130	10,130	10,130
Peace Officers Standards and Training Commission Fund	912,291	410,680	536,716	310,043
Petition Audit Revolving Trust Fund	353,131	484,457	472,794	462,532
Petroleum Inspection Fund	1,651,931	1,655,792	1,425,591	1,070,922
Petroleum Violation Escrow Fund	21,367,253	22,439,696	23,083,120	20,178,878
Post Closure Fund	260,114	N/A	N/A	N/A
Professional and Practical Nursing Student Loan and Nurse Loan Repayment Fund	614,943	975,714	614,049	506,839
Professional Registration Fees Fund	31,796	167,573	52,093	76,068
Property Reuse Fund	3,127,992	3,017,322	N/A	N/A
Proprietary School Bond Fund	9,393	N/A	N/A	N/A
Prosecuting and Circuit Attorneys' Retirement Fund	N/A	N/A	N/A	N/A
Public Service Commission Fund	354,408	1,174,361	1,644,563	1,152,171
Railroad Expense Fund	158,793	57,888	66,339	78,160
Real Estate Appraisers Fund	618,109	767,043	729,081	744,893
Residential Mortgage Licensing Fund	479,056	273,850	N/A	N/A
Respiratory Care Practitioners Fund	245	N/A	N/A	N/A
Safe Drinking Water Fund	3,402,391	3,156,122	3,072,908	2,502,497
School District Bond Fund	7,132,497	7,423,244	4,328,426	N/A
School District Trust Fund	53,849,179	59,666,555	47,772,154	44,146,784
School for Blind Trust Fund	65,884	6,822	81,701	182,757
School for Deaf Trust Fund	79	79	8,992	2,555
School for the Blind - Federal Fund	N/A	N/A	N/A	N/A
School for the Deaf - Federal Fund	N/A	N/A	N/A	N/A
Second Injury Fund	6,711,407	14,804,566	36,102,131	55,126,647
Secretary of State's Investor Education Fund	112,146	139,708	15,100	N/A
Secretary of State - Federal Fund	10	49	21,189	6,605
Secretary of State Institutional Gift Trust Fund	870,516	987,644	1,048,325	1,065,325
Secretary of State's - Technology Trust Fund Account Fund	2,017,405	2,583,796	3,009,720	1,653,024
Senate Revolving Fund	20,332	114,634	18,616	42,851
Services to Victims Fund	2,747,219	1,731,619	1,059,609	1,103,246
Single-Purpose Animal Facilities Loan Program Fund	326,154	243,744	54,146	N/A

Social Security Contributions Fund	102,381	102,381	102,381	102,381
Soil and Water Sales Tax Fund	10,523,769	15,043,580	22,897,494	31,180,514
Solid Waste Management Fund	10,851,833	13,436,425	15,112,478	14,901,154
Solid Waste Management Fund - Scrap Tire Subaccount	5,155,939	4,518,296	4,099,458	3,804,077
Special Employment Security Fund	3,731,339	3,786,005	4,169,157	3,614,534
State Agency for Surplus Property Fund	321,233	195,480	132,795	397,624
State Auditor - Federal Fund	865,477	921,203	1,078,176	1,066,583
State Board of Accountancy Fund	1,339,404	1,562,364	1,384,584	1,203,315
State Board of Architects, Engineers and Land Surveyors Fund	383,545	924,704	787,419	1,063,173
State Board of Chiropractic Examiners' Fund	181,318	214,353	246,054	227,353
State Board of Cosmetology Fund	2,218,640	1,405,102	2,129,670	1,389,170
State Board of Nursing Fund	1,296,919	2,337,798	1,029,020	1,215,572
State Board of Podiatry Fund	65,671	64,801	50,521	47,381
State Committee of Psychologists Fund	695,212	623,527	513,730	418,570
State Court Administration Revolving Fund	81	N/A	N/A	N/A
State Document Preservation Fund	10,838	20,053	N/A	N/A
State Elections Subsidy Fund	83,051	61,361	50,875	43,260
State Emergency Management - Federal and Other Fund	1,786,598	1,358,601	802,082	865,907
State Employee Voluntary Life Insurance Fund	89,781	N/A	N/A	N/A
State Environmental Improvement and Energy Resources Authority Fund	0	93	1,503	1,513
State Facility Maintanance and Operation Fund	2,149,404	2,250,265	N/A	N/A
State Fair Fees Fund	69,300	83,206	46,348	206,082
State Fair Trust Fund	333	830	1,278	1,140
State Forensic Laboratory Fund	162,686	136,759	59,184	120,750
State Guaranty Student Loan Fund	52,030,992	46,965,298	45,796,896	43,516,650
State Highways and Transportation Department Fund	6,054,885	7,357,079	6,118,206	3,399,657
State Institutions Gift Trust Fund	5,426	4,729	N/A	N/A
State Land Survey Program Fund	1,294,985	1,209,611	1,108,318	1,153,895
State Legal Expense Fund	101,299	85,429	359,402	429,119
State Lottery Fund	17,443,077	13,774,482	18,467,915	19,165,345
State Milk Inspection Fee Fund	201,488	209,865	237,257	272,667
State Park Sales Tax Fund	18,412,335	18,962,227	19,086,435	18,448,568
State Parks Earnings Fund	11,173,450	13,237,388	12,669,849	11,306,381
State Parks Revolving Fund	30,326	132,730	15,083	7,996
State Public School Fund	513,785	57,987	504,906	2,128
State Retirement Contributions Fund	0	0	0	106,868
State Road Fund	99,589,802	72,188,172	88,587,713	135,082,853
State School Moneys Fund	30,586,747	80,883,191	18,198,789	20,138,222
State Schools Textbook Fund	N/A	N/A	3,870	8,122
State Seminary Fund	787	213	0	5,970
State Seminary Moneys Fund	0	0	0	0
State Transportation Assistance Revolving Fund	75,218	N/A	N/A	N/A
State Transportation Fund	760,407	1,880,385	434,686	934,636
Statewide Court Automation Fund	2,255,074	2,819,870	3,636,132	2,275,726
Statutory Revision Fund	259,623	472,753	455,349	849,284
Student Grant Fund	233,781	N/A	N/A	N/A
Supreme Court - Federal and Other Fund	1,957,441	2,365,122	2,071,355	1,207,230
Supreme Court Publications Revolving Fund	55,495	164,475	107,458	77,956
Temporary Assistance for Needy Families - Federal Fund	9,207,324	N/A	N/A	N/A
Third State Building Bond Interest and Sinking - Post Tax Act 1986	N/A	N/A	N/A	N/A
Third State Building Bond Interest and Sinking - Pre Tax Act 1986	0	8,346,665	19,057,093	19,034,787
Third State Building Bond Interest and Sinking - Series A 1992	28,938,855	26,202,771	16,227,273	16,230,411
Third State Building Bond Interest and Sinking -				

Series A 1993	17,180,207	9,247,568	9,171,988	9,196,722
Third State Building Bond Interest and Sinking - Series A&B 1991	9,068,155	8,952,861	8,960,669	8,939,204
Third State Building - Pre Tax Act 1986	926,596	1,527,368	2,827,434	4,525,613
Third State Building Trust Fund	N/A	N/A	N/A	N/A
Third State Building Trust Fund - Pre Tax Act 1986	335,363	1,004,688	1,546,361	1,765,619
Title XIX - Federal Fund	7,136,851	17,044,258	5,133,396	11,631,653
Title XIX - Patient Placement Fund	3,319,385	3,864,811	1,454,105	3,063,798
Tort Victims' Compensation Fund	4,873,135	56,830	40,141	30,576
Tourism Marketing Fund	966	503	1,543	1,318
Treasurer's Information Fund	2,681	746	15,065	457
Uncompensated Care Fund	14,739,134	12,621,465	15,439,026	6,179,212
Underground Storage Tank Insurance Fund	55,019,305	45,568,063	32,947,845	30,747,232
Underground Storage Tank Regulation Program Fund	455,758	37,428	178,221	354,060
Unemployment Compensation Administration Fund	1,126,469	1,026,091	1,298,863	884,746
Veterans' Homes Capital Improvement Fund	N/A	0	2,581,749	2,445,658
Veterans' Homes Capital Improvement Trust Fund	58,083,977	4,939,437	5,414,434	0
Veterans' Trust Fund	380,257	348,061	324,970	297,794
Veterinary Medical Board Fund	583,004	564,802	468,773	375,453
Video Instructional Development and Education Opportunity Fund	1,984,912	2,225,407	1,865,336	3,500,172
Vocational Rehabilitation - Federal Fund	683,865	81,094	1,792,044	1,090,698
Water and Waste Water Loan Fund	1,178,862	541,002	455,804	355,093
Water and Waste Water Loan Revolving Fund	144,832,782	132,167,436	89,565,959	84,251,584
Water Pollution Control - Series A 1992 - 37C	N/A	N/A	N/A	N/A
Water Pollution Control - Series A 1992 - 37E	N/A	N/A	N/A	N/A
Water Pollution Control - Series A 1993 - 37C	N/A	0	1,546,353	4,956,449
Water Pollution Control - Series A 1993 - 37E	N/A	N/A	N/A	1,109,595
Water Pollution Control - Series A 1995 - 37C	N/A	0	5,279,419	5,036,547
Water Pollution Control - Series A 1995 - 37E	N/A	0	9,334,815	25,315,114
Water Pollution Control - Series A 1996 - 37C	7,485,335	10,246,584	N/A	N/A
Water Pollution Control - Series A 1996 - 37E	9,555,983	18,843,900	N/A	N/A
Water Pollution Control - Series A 1998 - 37C	7,529,154	N/A	N/A	N/A
Water Pollution Control - Series A 1998 - 37E	27,582,241	N/A	N/A	N/A
Water Pollution Control - Series B 1987	N/A	N/A	N/A	N/A
Water Pollution Control Bond and Interest - Pre Tax Act 1986	664,322	3,208,841	8,999,496	9,047,857
Water Pollution Control Bond and Interest - Series A 1989	1,122,958	1,135,853	1,136,875	1,149,186
Water Pollution Control Bond and Interest - Series A 1991	1,103,703	1,122,456	1,128,281	1,147,318
Water Pollution Control Bond and Interest - Series A 1992	2,719,053	2,747,870	2,743,716	2,771,140
Water Pollution Control Bond and Interest - Series A 1993	2,198,539	2,225,274	2,225,889	2,253,654
Water Pollution Control Bond and Interest - Series A 1995	2,406,415	2,408,933	2,381,787	2,323,451
Water Pollution Control Bond and Interest - Series A 1996	2,855,101	2,832,868	N/A	N/A
Water Pollution Control Bond and Interest - Series A 1998	2,545,962	N/A	N/A	N/A
Water Pollution Control Bond and Interest - Series B 1992	5,200,576	5,191,531	3,132,043	3,109,733
Water Pollution Control Bond and Interest - Series B 1993	8,871,613	6,571,647	6,516,815	6,537,722
Water Pollution Control Bond and Interest - Series B&C 1991	4,276,394	4,270,724	4,329,326	4,271,504
Wolfner Library Trust Fund	530,671	540,945	532,886	523,467
Workers' Compensation Fund	12,036,207	11,976,492	12,416,417	23,108,162
Working Capital Revolving Fund	13,972,594	9,548,151	7,908,042	4,487,925
Youth Services and Conservation Corps Fund	0	121,054	52,077	27,398
Total All Funds (Schedule 4)	$ 3,728,569,598	3,571,689,002	3,086,989,955	2,605,066,857

N/A These funds were closed, or had not been created for the years indicated.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 6

OFFICE OF STATE TREASURER

COMPARATIVE STATEMENT OF TRUST ACCOUNTS

	June 30,											
	1998		1997		1996		1995		1994		1993	
	Balance	Amount Invested	Balance	Amount Invested	Balance	Amount Invested	Balance	Amount Invested	Balance	Amount Invested	Balance	Amount Invested
Capitol East Parking Facility												
Bond Reserve Fund	$ N/A	N/A	N/A	N/A	N/A	N/A	40,704	40,704	129,299	129,293	129,141	129,121
Depreciation and Replacement Fund	N/A	N/A	264,045	264,045	264,544	264,544	263,745	263,744	220,662	220,653	163,417	163,391
Enterprise Fund	N/A	N/A	N/A	N/A	16,986	16,986	12,088	12,088	39,752	39,751	36,614	36,608
Principal and Interest Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24,074	24,073	23,881	23,877
Operating Reserve Fund	195,832	195,830	211,389	211,389	211,621	211,621	211,072	211,072	206,806	206,797	163,417	163,391
Corrections and Mental Health												
Construction Fund	123,111	123,109	116,659	116,659	159,001	159,001	179,874	179,874	213,655	213,645	541,852	541,765
Enterprise Fund	N/A	N/A	N/A	N/A	764,052	764,051	94,462	94,462	118,362	118,357	107,732	107,715
Government Repurchase Agreement Trust Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50,614,773	50,614,700
Kansas City State Office Building												
Enterprise Fund	N/A	N/A	N/A	N/A	385,772	385,772	314,489	314,489	229,048	229,037	261,591	261,549
Midtown State Office Building												
Enterprise Fund	N/A	N/A	N/A	N/A	125,498	125,498	138,805	138,805	122,383	122,377	200,536	200,504
Old Age, Survivors, Disability, and												
Health Insurance Trust Fund	3,982	0	3,764	0	3,707	0	2,917	0	2,183	0	217,582	0
Special Obligation Refunding Bond -												
Principal and Interest Fund	383,663	383,659	364,649	364,648	427,938	427,938	375,397	375,396	236,047	236,036	279,600	279,555
Depreciation and Replacement Fund	7,406,769	7,406,705	7,393,260	7,393,249	7,405,538	7,405,533	7,387,529	7,387,519	7,240,708	7,240,370	7,230,696	7,229,538
Bond Reserve Fund	105,988	105,987	108,576	108,576	105,793	105,793	105,536	105,536	103,439	103,434	103,309	103,293
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	3,462	3,462	1,281	1,281	4,366	4,365
Springfield State Office Building												
Enterprise Fund	344	344	7,902	7,901	107,830	107,829	205,591	205,591	139,506	139,499	107,475	107,457
State Building Special Obligation Bond 1988												
Arbitrage Rebate Escrow Fund	114,173	114,172	107,931	107,931	102,151	102,151	95,968	95,968	90,947	90,943	87,932	87,918
Arbitrage Owed to IRS Escrow Fund	7,232	7,233	6,838	6,838	6,476	6,476	6,123	6,123	67,158	67,154	64,932	64,922
State Information Center Construction Fund	83,261	83,261	215,564	215,564	222,985	222,985	232,069	232,068	223,941	223,930	353,524	353,467
State Information Center Enterprise Fund	N/A	N/A	N/A	N/A	319,082	319,082	265,578	265,577	120,488	120,482	217,209	217,175
St. Joseph State Office Building												
Enterprise Fund	N/A	N/A	N/A	N/A	202,317	202,317	177,332	177,332	50,793	50,791	81,382	81,369
State Park Board Revenue Bond Fund	N/A	N/A	N/A	N/A	N/A	N/A	793,569	793,568	752,861	752,825	1,231,903	1,231,706
Truman State Office Building												
Construction Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,347	2,346	53,723	53,714
Enterprise Fund	N/A	N/A	N/A	N/A	809,326	809,326	455,407	455,406	502,197	502,173	577,921	577,829
Wainwright State Office Building												
Enterprise Fund	N/A	N/A	N/A	N/A	96,997	96,997	142,917	142,916	132,759	132,753	210,805	210,771
Total Trust Accounts (Schedule 4)	$ 8,424,355	8,420,300	8,800,577	8,796,800	11,737,614	11,733,900	11,504,634	11,501,700	10,970,696	10,968,000	63,065,313	62,845,700

N/A These accounts were closed for the indicated fiscal years.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 7

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON INVESTMENTS
AND DISTRIBUTION BY FUND

	Year Ended June 30,				
	1998	1997	1996	1995	1994
INTEREST RECEIPTS					
General and special funds	$ 183,708,819	161,789,785	134,781,598	93,755,598	46,967,414
Debt retirement funds	5,434,788	5,428,457	4,620,803	4,372,437	2,848,411
Total Appropriated Funds	189,143,607	167,218,242	139,402,401	98,128,035	49,815,825
Trust funds	839,914	833,897	1,497,860	1,352,731	2,358,443
Total Interest Receipts (Note 10)	$ 189,983,521	168,052,139	140,900,261	99,480,766	52,174,268
INTEREST DISTRIBUTION (Note 10)					
General and special funds:					
General Revenue Fund	$ 94,091,911	81,130,143	64,887,135	39,726,542	19,715,025
Budget Stabilization Fund	6,823,161	5,022,803	1,467,772	1,858,128	804,200
Cash Operating Reserve Fund	13,953,430	12,716,720	12,166,856	10,624,657	6,677,063
Abandoned Mine Reclamation Fund	26,361	20,743	16,756	11,431	4,543
Alternative Care Trust Fund	112,992	114,643	133,079	109,633	72,035
Animal Health Laboratory Fee Fund	8,071	5,024	3,052	6,284	128
Aviation Trust Fund	23,194	31,582	33,081	23,596	24,012
Bingo Proceeds for Education Fund	376,030	301,401	283,433	257,838	44,510
Champ W. Smith & Mary C. Smith Memorial Endowment Trust Fund	21,062	20,330	20,537	19,267	12,626
Chemical Emergency Preparedness Fund	37,867	44,551	44,926	35,480	17,169
Children's Trust Fund	190,859	163,947	157,864	127,296	98,572
Coal Mine Land Reclamation Fund	85,440	125,046	161,400	154,931	94,577
Concentrated Animal Feeding Operation Indemnity Fund	208	N/A	N/A	N/A	N/A
Confederate Memorial Park Fund	5,940	5,455	5,237	4,467	2,756
Conservation Commission Fund	860,371	1,480,048	1,628,195	1,484,082	775,102
Crime Victims' Compensation Fund	440,785	479,970	437,092	333,110	180,175
Deaf Relay Service Fund	302,946	236,182	190,175	127,981	49,809
Debt Offset Escrow Fund	48,992	47,867	62,499	41,296	21,463
Department of Insurance Dedicated Fund	445,085	399,110	354,531	291,657	184,731
Division of Credit Unions Fund	19,621	15,532	13,846	10,735	7,912
Division of Finance Fund	155,071	127,405	136,157	110,193	75,364
Division of Savings and Loan Supervision Fund	3,263	3,129	5,551	10,378	3,359
Doctor Edmund A. Babler Memorial State Park Fund	48,822	42,687	36,509	29,305	15,767
Endowed Care Cemetery Audit Fund	24,190	22,695	20,161	13,071	6,827
Energy Set-Aside Program Fund	1,004,715	613,123	532,682	527,969	336,980
Escheats Fund	306,688	296,100	305,186	284,205	182,781
Excellence in Education Fund	99,990	100,955	124,138	124,966	62,756
Facilities Maintenance Reserve Fund	95,631	N/A	N/A	N/A	N/A
Federal Drug Seizure Fund	39,778	21,240	19,315	N/A	N/A
Federal Reimbursement Allowance Fund	2,033,464	2,990,570	2,230,819	1,100,070	555,842
Federal Surplus Property Fund	77,499	71,862	82,744	75,915	45,775
Fourth State Building - Series A 1995	N/A	1,391,386	3,211,685	655,002	N/A
Fourth State Building - Series A 1996	4,050,880	4,803,635	N/A	N/A	N/A
Fourth State Building - Series A 1998	237	N/A	N/A	N/A	N/A
Gaming Commission Bingo Fund	9,319	6,440	4,954	3,167	N/A
Gaming Commission Fund	2,498,117	1,717,827	895,114	258,706	30,567
Gaming Proceeds for Education Fund	469,961	1,776,184	3,875,971	862,973	169
Grain Inspection Fees Fund	43,886	36,551	40,352	53,013	48,841
Hazardous Waste Fund	9,069	9,027	12,526	19,977	19,725
Hazardous Waste Remedial Fund	270,730	268,879	275,041	270,845	194,556
Historic Preservation Revolving Fund	15,962	16,592	13,923	N/A	N/A
Industrial/Commercial Energy Conservation Loan Fund	N/A	136,145	172,477	159,917	104,432
Legal Defense and Defender Fund	7,790	13,694	13,526	7,507	4,940
Livestock Dealer Law Enforcement and Administration Fund	343	246	130	204	249
Local Government Energy Conservation Loan Fund	N/A	143,099	176,704	173,516	109,413
Mental Health Earnings Fund	60,126	236,692	1,174,109	687,061	1,378
Mental Health Housing Trust Fund	176	19	N/A	N/A	N/A
Mental Health Trust Fund	207,383	217,976	211,252	178,305	106,393
Meramec-Onondaga State Parks Fund	50,259	46,948	45,997	41,835	27,374
Metallic Minerals Waste Management Fund	11,608	10,642	9,579	7,209	2,083
Mined Land Reclamation Fund	157,130	68,159	78,990	90,584	55,635
Missouri Air Pollution Control Fund	53,451	44,671	34,653	42,585	36,274
Missouri Arts Council Trust Fund	646,287	360,162	40,758	N/A	N/A
Missouri Breeders Fund	3,976	3,732	3,619	3,321	2,181
Missouri Children's Service Commission Fund	858	746	722	577	243
Missouri Horse Racing Fund	N/A	0	88	104	46
Missouri Housing Trust Fund	158,958	131,669	135,476	32,966	N/A

Missouri Humanities Council Trust Fund	10,445	6,687	N/A		N/A		N/A			
Missouri Veterans Homes Fund	170,644	192,155		188,418		135,173		100,413		
Motor Fuel Tax Fund	3,536,397	0	N/A		N/A		N/A			
Natural Resources Protection Fund	21,753	30,124		35,621		27,800		7,466		
Natural Resources Protection Fund - Air Pollution Asbestos Fee Subaccount	53,928	46,205		38,920		27,972		12,672		
Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount	896,414	800,008		728,310		546,156		217,643		
Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount	278,843	198,261		155,430		132,151		74,615		
Nursing Facility Quality of Care Fund	135,845	83,198		33,464		2,872		N/A		
Outstanding Schools Trust Fund	18,753,652	14,204,300		10,068,818		5,080,844		509,745		
Pansey Johnson-Travis Memorial State Gardens Trust Fund	40,209	36,818		35,405		31,656		19,348		
Peace Officers Standards and Training Commission Fund	25,035	22,570		20,097		6,596		N/A		
Petroleum Inspection Fund	97,190	83,740		68,667		39,874		13,921		
Petroleum Violation Escrow Fund	1,255,124	1,227,621		1,160,240		1,114,858		816,144		
Post-Closure Fund	45,676	N/A		N/A		N/A		N/A		
Property Reuse Fund	181,324	107,322	N/A		N/A		N/A			
Prosecuting and Circuit Attorneys' Retirement Fund	N/A	N/A		N/A		4,139		57,411		
Residential Mortgage Licensing Fund	16,669	1,538	N/A		N/A		N/A			
Safe Drinking Water Fund	191,367	174,745		155,709		111,564		53,018		
School District Trust Fund	2,484,889	2,236,969		2,187,374		1,976,800		1,203,674		
Second Injury Fund	651,105	1,653,827		2,694,486		3,390,390		1,991,083		
Secretary of State Institutional Gift Trust Fund	53,653	55,081		58,510		58,105		37,896		
Secretary of State's - Technology Trust Fund Account	113,276	118,030		117,846		21,789		N/A		
Single-Purpose Animal Facilities Loan Program Fund	14,154	5,271		183		N/A		N/A		
Soil and Water Sales Tax Fund	717,272	1,184,943		1,604,840		1,802,626		1,363,860		
State Document Preservation Fund	1,089	38	N/A		N/A		N/A			
State Guaranty Student Loan Fund	2,646,123	2,436,421		2,440,750		2,232,944		1,269,591		
State Highways and Transportation Department Fund	862,693	543,604	N/A		N/A		N/A			
State Lottery Fund	845,562	963,241		1,040,481		887,285		634,311		
State Parks Sales Tax Fund	1,046,845	1,076,417		1,044,960		845,548		473,391		
State Road Fund	4,628,340	5,076,291		5,979,859		5,367,610		2,461,396		
State Transportation Assistance Revolving Fund	212	N/A		N/A		N/A		N/A		
Third State Building Fund - Pre Tax Act 1986	120,177	199,935		301,821		395,324		426,635		
Underground Storage Tank Insurance Fund	2,706,826	1,997,607		1,714,704		1,541,318		895,308		
Veterans' Homes Capital Improvement Fund	N/A	47,801		136,090		117,004		8,786		
Veterans' Homes Capital Improvement Trust Fund	1,391,613	275,570		68,831		0		N/A		
Veterans' Trust Fund	19,191	17,038		15,993		13,711		7,862		
Water and Waste Water Loan Fund	56,048	62,319		46,293		37,301		24,669		
Water and Waste Water Loan Revolving Fund	7,187,534	6,161,659		4,136,840		4,259,194		1,381,627		
Water Pollution Control - Series A 1992 - 37C	N/A	N/A		N/A		N/A		55,172		
Water Pollution Control - Series A 1992 - 37E	N/A	N/A		N/A		N/A		63,887		
Water Pollution Control - Series A 1993 - 37C	N/A	34,581		162,446		373,031		405,349		
Water Pollution Control - Series A 1993 - 37E	N/A	N/A		15,445		362,961		432,040		
Water Pollution Control - Series A 1995 - 37C	N/A	112,250		242,872		43,756	N/A			
Water Pollution Control - Series A 1995 - 37E	N/A	313,244		1,004,170		218,860	N/A			
Water Pollution Control - Series A 1996 - 37C	484,911	502,103	N/A		N/A		N/A			
Water Pollution Control - Series A 1996 - 37E	880,504	844,571	N/A		N/A		N/A			
Water Pollution Control - Series A 1998 - 37C	36	N/A		N/A		N/A		N/A		
Water Pollution Control - Series A 1998 - 37E	130	N/A		N/A		N/A		N/A		
Wolfner Library Trust Fund	18,088	N/A		N/A		N/A		N/A		
Workers' Compensation Fund	578,090	563,698		1,089,331		1,474,529		1,132,123		
Total General and Special Funds	183,708,819	161,789,785		134,781,598		93,755,598		46,967,414		
Debt retirement funds:										
Fourth State Building Bond and Interest - Series A 1995	311,714	322,451		273,396		45,231		N/A		
Fourth State Building Bond and Interest - Series A 1996	526,591	372,751	N/A		N/A		N/A			
::										
Fourth State Building Bond and Interest - Series A 1998	9	N/A		N/A		N/A		N/A		
Third State Building Bond Interest and Sinking - Post Tax Act 1986	N/A	N/A		N/A		33,485		58,942		
Third State Building Bond Interest and Sinking - Pre Tax Act 1986	8,298	646,518		1,033,963		971,377		725,928		

Third State Building Bond Interest and Sinking - Series A&B 1991	674,779	483,718	489,089	414,162	260,488
Third State Building Bond Interest and Sinking - Series A 1992	1,456,912	1,254,351	762,647	824,491	508,502
Third State Building Bond Interest and Sinking - Series A 1993	756,003	496,347	432,507	468,106	257,047
Water Pollution Control Bond and Interest - Pre Tax Act 1986	125,400	395,046	484,563	487,568	361,698
Water Pollution Control Bond and Interest - Series A 1989	59,432	62,204	54,675	59,018	48,756
Water Pollution Control Bond and Interest - Series A 1991	58,239	61,186	54,011	59,038	43,642
Water Pollution Control Bond and Interest - Series A 1992	141,689	148,120	129,903	141,453	88,154
Water Pollution Control Bond and Interest - Series A 1993	114,512	120,046	105,473	115,424	63,698
Water Pollution Control Bond and Interest - Series A 1995	124,739	128,950	111,403	49,068	N/A
Water Pollution Control Bond and Interest - Series A 1996	147,390	104,408	N/A	N/A	N/A
Water Pollution Control Bond and Interest - Series A 1998	6	N/A	N/A	N/A	N/A
Water Pollution Control Bond and Interest - Series B 1987	N/A	N/A	N/A	15,586	27,444
Water Pollution Control Bond and Interest - Series B 1992	270,072	247,412	147,111	157,927	96,671
Water Pollution Control Bond and Interest - Series B 1993	420,455	352,439	307,088	332,589	182,654
Water Pollution Control Bond and Interest - Series B&C 1991	238,548	232,510	234,974	197,914	124,787
Total Debt Retirement Funds	5,434,788	5,428,457	4,620,803	4,372,437	2,848,411
Total Appropriated Funds	189,143,607	167,218,242	139,402,401	98,128,035	49,815,825
Trust funds:					
Capitol East Parking Facility Bond Reserve Fund	N/A	N/A	739	5,962	4,299
Capitol East Parking Facility Depreciation and Replacement Fund	9,192	14,045	14,545	13,745	7,246
Capitol East Parking Facility Enterprise Fund	N/A	N/A	1,499	2,448	1,794
Capitol East Parking Facility Principal and Interest Fund	N/A	N/A	N/A	34,742	24,074
Capitol East Parking Facility Operating Reserve Fund	11,640	11,389	11,621	11,072	6,806
Corrections and Mental Health Construction Fund	6,739	6,703	9,715	9,872	11,013
Corrections and Mental Health Enterprise Fund	N/A	5,252	148,198	84,063	47,380
Government Repurchase Agreement Trust Fund	N/A	N/A	N/A	N/A	1,517,515
Kansas City State Office Building Enterprise Fund	N/A	2,578	60,083	56,655	31,979
Midtown State Office Building Construction Fund	N/A	N/A	N/A	N/A	N/A
Midtown State Office Building Enterprise Fund	N/A	537	35,293	31,188	18,394
Special Obligation Refunding Bond - Bond Reserve Fund	5,988	8,576	5,793	5,536	3,439
Special Obligation Refunding Bond - Depreciation and Replacement Fund	406,769	393,260	405,538	387,529	240,708
Special Obligation Refunding Bond - Enterprise Fund	N/A	N/A	17	3,462	1,281
Special Obligation Refunding Bond - Principal and Interest Fund	383,663	364,649	422,938	375,397	236,045
Springfield State Office Building Enterprise Fund	N/A	497	37,077	31,322	18,005
State Building Special Obligation Bond 1988					
Arbitrage Rebate Escrow Fund	6,242	5,781	6,183	5,021	3,015
Arbitrage Owed to IRS Escrow Fund	395	362	353	2,033	2,226
State Information Center Construction Fund	9,286	12,296	12,621	12,311	8,268
State Information Center Enterprise Fund	N/A	1,658	48,020	39,805	24,045
State Park Board Revenue Bond Fund	N/A	N/A	52,646	48,939	38,634
::					
St. Joseph State Office Building Enterprise Fund	N/A	1,292	24,384	18,843	9,197
Truman State Office Building Construction Fund	N/A	N/A	N/A	71	407
Truman State Office Building Enterprise Fund	N/A	4,462	146,472	124,573	75,622
Wainwright State Office Building Enterprise Fund	N/A	560	54,125	48,142	27,051
Total Trust Funds	839,914	833,897	1,497,860	1,352,731	2,358,443
Total Distribution	$ 189,983,521	168,052,139	140,900,261	99,480,766	52,174,268

N/. These funds did not receive interest for the years indicated due to the fund not being established at the time, or due to the lack of legislation that would require the interest to remain in the fund.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 8

OFFICE OF STATE TREASURER
ANALYSIS OF INVESTMENTS
APPROPRIATED FUNDS

	Year Ended June 30,											
	1998		1997		1996		1995		1994		1993	
	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings
INVESTMENTS (Note 10)												
Time deposits	$ 435,724,377	20,775,864	432,685,370	20,962,339	421,520,562	19,029,812	338,681,327	10,361,554	384,643,554	11,044,383	510,195,434	16,202,938
U.S. government securities and repurchase agreements	3,105,448,004	168,367,743	2,865,324,055	146,255,903	2,339,245,207	120,372,589	1,710,288,163	87,766,482	1,184,573,107	38,771,442	767,691,997	27,092,444
Other investments (Note 9)	10,130	1,120	10,130	1,050	10,130	990	15,909	-1,116	85,630	7,400	253,880	10,362
Total Invested Balance	$ 3,541,182,511	189,144,727	3,298,019,555	167,219,292	2,760,775,899	139,403,391	2,048,985,399	98,126,920	1,569,302,291	49,823,225	1,278,141,311	43,305,744
Total fund balance excluding collection, concentration, and restricted balance accounts	$ 3,416,907,704		3,197,423,958		2,667,586,324		1,952,852,304		1,478,715,939		1,195,015,921	
Collection and concentration accounts	6,268,682		6,202,391		5,765,087		6,087,033		9,458,876		8,479,204	
Restricted balance accounts	16,104,141		13,947,824		15,101,093		17,887,984		30,150,959		34,486,411	
Total Fund Balance Including Collection, Concentration, and Restricted Balance Accounts	$ 3,439,280,527		3,217,574,173		2,688,452,504		1,976,827,321		1,518,325,774		1,237,981,536	
PERCENTAGE OF FUND BALANCE IN INVESTMENTS												
Excluding collection, concentration, and restricted balance accounts	103.64%		103.15%		103.49%		104.92%		106.13%		106.96%	
Including collection, concentration, and restricted balance accounts	102.96%		102.50%		102.69%		103.65%		103.36%		103.24%	
INVESTMENT YIELD												
Time deposits		4.77%		4.84%		4.51%		3.06%		2.87%		3.18%
U.S. government securities and repurchase agreements		5.42%		5.10%		5.15%		5.13%		3.27%		3.53%
Other investments		11.06%		10.37%		9.77%		-7.01%		8.64%		4.08%
Average investment yield (Note 11)		5.34%		5.07%		5.05%		4.79%		3.17%		3.39%

Notes to the Financial Statements
and Supplementary Data

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Office of State Treasurer.

The Central Check Mailing Service Revolving Fund, presented in Exhibits A through C, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the fund's activities.

Expenses presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the fund or applicable program.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit D for the Abandoned Fund Account Fund and the Treasurer's Information Fund. Appropriations from these funds are expended by or for the office for restricted purposes.

Appropriations, presented in Exhibit E, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Central Check Mailing Service Revolving Fund, Exhibits A through C, are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Fixed assets (equipment) of the Central Check Mailing Service Revolving Fund are recorded at cost and depreciated on a straight-line basis with a useful life of ten years and no salvage value.
The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit D, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit E, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Central Check Mailing Service Revolving Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. The State Treasurer is administrator and custodian of the fund and receives funds paid or transferred to the office by state agencies for centralized check mailing services. The initial funding for this fund was provided by a transfer of $50,000 from the General Revenue Fund - State on October 23, 1978. Appropriations from the fund are used for check mailing service expenses.

Abandoned Fund Account Fund: This fund receives monies from banking or financial institutions, business associations, insurance corporations, utilities, courts and other governmental entities, and proceeds from the sale of abandoned property representing abandoned or unclaimed funds.

This fund is established and governed by Section 447.543.2, RSMo Cumulative Supp. 1998. Under Sections 447.500 through 447.595, RSMo, various financial,

business, and governmental entities, unless otherwise exempted, are to remit to the State Treasurer all funds which have been presumed abandoned or unclaimed for the required dormancy period, less any reasonable costs of complying with the law incurred during the required notification or report process. The State Treasurer is to deposit these funds in the Abandoned Fund Account Fund. Claims may be filed at any time and are paid upon proof of an approved claim. At any time when the balance of the fund exceeds $50,000, the State Treasurer may, and at least once every fiscal year shall, transfer to the state's General Revenue Fund the balance of the Abandoned Fund Account Fund in excess of $50,000. If any claim or refund reduces the balance of the fund to less than $25,000, the State Treasurer shall transfer from the state's General Revenue Fund an amount which is sufficient to restore the balance to $50,000. Appropriations from this fund authorize disbursements for the payment of claims of abandoned funds.

Section 447.543.2, RSMo Cumulative Supp. 1998, effective August 28, 1998, authorizes changes to the State Treasurer's procedures regarding unclaimed property. This legislation requires the State Treasurer, at least once every fiscal year, to transfer to the state's General Revenue Fund the balance of the Abandoned Fund Account Fund in excess of one-twelfth of the disbursements from the previous year.

Treasurer's Information Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. This fund, established by Section 30.610, RSMo 1994, may receive monies from governmental entities or the general public for the preparation, reproduction, or dissemination of information or publications of the State Treasurer. Appropriations from this fund shall be used to pay for personal service, equipment and other expenses of the office necessary for the preparation, reproduction or dissemination of information or publications of the State Treasurer.

General Revenue Fund-State: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

Highway Department Fund: The office receives appropriations from this fund and does not maintain a propriety interest in the fund. Appropriations from the fund are used for that portion of the basic operation of the office which relates to the administration of highway department funds.

Worker's Compensation - Second Injury Fund: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for that portion of basic operations which relate to the administration of Second Injury Fund claims.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit E.

2. Cash and Investments

The balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, and Treasurer's Information Fund are pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit D reconcile to appropriated expenditures on Exhibit E as follows:

	Year Ended June 30,			
	1998		1997	
	Abandoned Fund Account	Treasurer's Information Fund	Abandoned Fund Account	Treasurer's Information Fund
DISBURSEMENTS PER EXHIBIT D	$ 4,400,527	1,175	3,168,503	1,716
Employee fringe benefits				
Lapse period expenditures:				
1998	330,480	952	0	0
1997	(184,785)	(865)	184,785	865
1996	0	0	2,546	0
Accounts payable, June 30:				
1998	15,977	42	0	0
1997	(8,416)	0	8,416	0
1996	0	0	(10,701)	0
EXPENDITURES PER EXHIBIT E	$ 4,553,783	1,304	3,353,549	2,581

4. Year 2000 (Y2K) Plan of Action

The State Treasurer's Office (STO) is custodian of all state funds. The duties of the STO include investing $3.2 billion in state funds not needed for daily operations; overseeing the state's banking services; administering the $350 million Missouri First Linked-Deposit Program; and managing the state's $125 million in unclaimed property.

Currently, the STO's Y2K effort includes securing vendor validation and testing software applications, as well as completing the migration of seven applications from a Burroughs system to an NT server environment.

The Y2K project was started more than two years ago with an initial assessment being completed by in-house staff and then with an assessment by a consultant with Andersen Consulting, Inc. During these assessments, the mission-critical applications were identified and prioritized.

Six applications located on the Burroughs system - Appropriations Accounting, Fund Accounting, Fixed Assets, Trust Accounting, Interest Distributions and Internal Budget Controls - are being replaced by an off-the-shelf package called FundWare. The bid has been awarded for consulting services addressing the Burroughs system and the implementation is scheduled for the June or July 1999 timeframe.

The linked deposit system, also located on the Burroughs system, is currently being analyzed in order to move it to an NT platform. A bid was awarded in April 1999 for consulting services to address the linked deposit system issues and the implementation is scheduled for late summer or early fall of 1999.

Three other mission-critical applications are Sympro, used for Investments; the Wagers System, account managing software for the Division of Unclaimed Property; and banking services software. Sympro is already Y2K compliant, and the Wagers system was upgraded and validated in October of 1998 to be Y2K compliant. Part of the bank bid evaluation process required the bidding bank to provide documentation for their Y2K compliance strategy. All other software is being researched at this time to determine if it will be patched, upgraded, or replaced to make it compliant.

The STO's microcomputer desktops are a mixture of Dell and Proteva machines. The vendor information for Dell indicates all of these are Y2K compliant. However, additional testing is being done to ensure this information is correct. The few Proteva desktops will be evaluated and the vendor contacted to determine if they are Y2K compliant or need to be replaced.

Notes to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

6. Basis of Presentation

The amounts presented in Schedules 4 through 8 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subjected to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

7. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U. S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U. S. government or any agency or instrumentality thereof maturing or becoming payable not more than three years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within ninety days secured by U. S. Treasury obligations or obligations of U. S. government agencies or instrumentalities of any maturity, as provided by law.

Article IV, Section 15 of the Missouri Constitution was amended on November 3, 1998. The amendment became effective December 3, 1998 and changed the number of years for which the State Treasurer's Office is allowed to invest monies maturing and becoming payable, extending the limit from three years to five years from the date of purchase. The treasurer may also now invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency and in commercial paper issued by domestic corporations which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than one hundred eighty days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall also prepare, maintain and adhere to a written investment policy which shall include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by this section.

Deposits

The State Treasurer maintains approximately 1,400 bank accounts throughout the state. These accounts include time deposits, collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand
deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 1998 were entirely covered by federal depositary insurance or by collateral securities held by custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo 1994, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments are listed by type below to give an indication of the level of risk assumed by the state at year-end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

	June 30, 1998	
	Reported Amount	Fair Value
Repurchase agreements	$ 402,871,000	402,871,000
U.S. government securities	3,048,280,491	3,061,140,430
Other investments	10,130	61,705
Total Investments	$ 3,451,161,621	3,464,073,135

Investments are recorded at acquisition cost except other investments which are recorded at par. Investments in repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U. S. government securities are acquired at market value and mature at face value.

8. Demand Deposit and Collection Accounts

The demand deposits with Mercantile Bank on Schedule 4 consist of one central demand account in 1998. The demand deposits with Central Bank consist of seven central demand accounts in 1998, 1997 and 1996, and five in 1995. The demand deposits with United Missouri Bank, Central Bank, and Boatmen's National Bank in 1994 consist of four central demand accounts. The Lottery Concentration Account was at Central Bank in 1998, 1997,

1996, 1995, and 1994. The Conservation Concentration Account was at Central Bank in 1998, 1997, and 1996.
The book balances as presented include deposits and transfers in transit of $0, $0, $0, $5,075,083, and $3,201,055 at June 30, 1998, 1997, 1996, 1995, and 1994 for Central Bank. Bank balances were $28,187,539 at June 30, 1998 for Mercantile Bank; $22,567,839, $58,791,756, $34,932,976, $20,414,570, and $37,484,632 at June 30, 1998, 1997, 1996, 1995, and 1994 for Central Bank; $0, $0, $0, $0, and $100,000 at June 30, 1998, 1997, 1996, 1995, and 1994 for United Missouri Bank; and $0, $0, $0, $0, and $300,000 at June 30, 1998, 1997, 1996, 1995, and 1994 for Boatmen's National Bank.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

9. Other Investments

The amounts presented in the appropriated funds as other investments represent investments in corporate common stocks, corporate bonds, mineral rights, and U.S. Government securities for the Confederate Memorial Trust Fund, Doctor Edmund A. Babler Memorial State Park Trust Fund, and Pansey Johnson-Travis Memorial State Gardens Trust Fund, that were transferred to the State Treasurer from previous trustees of the funds.

10. Investments of Other Agencies

Schedules 7 and 8 do not include those funds which are invested directly by other agencies; e.g., the Agricultural Development Fund, the State Public School Fund, the Department of Revenue non-state (local) funds, and the State Seminary Fund. The State Treasurer does not have investment authority for these funds and is not responsible for the efficiency of the investment of these funds or for the collection and distribution of the interest income.

11. Amount and Yield on Investment Earnings

The amount and yield on investments earnings on Schedule 8 are presented on a cash basis. However, approximate accrued amounts were $44,990,000, $39,100,000, $29,200,000, $19,900,000, and $11,700,000 at June 30, 1998, 1997, 1996, 1995, and 1994, respectively, giving approximate yield rates of 5.51 percent, 5.37 percent, 5.39 percent, 5.19 percent, and 3.44 percent for the same corresponding periods on an accrual basis.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

OFFICE OF STATE TREASURER
SUMMARY OF FINDINGS

1. Bank Reconciliations (pages 45-46)

   The reconciliation of the Electronic Receipt / Payment Account was not performed in a timely manner.

2. Abandoned Fund Account Fund Transfers (pages 47-48)

   The transfer of excess balances from the Abandoned Fund Account Fund to the state's General Revenue Fund was not performed as required by state law.

3. Missouri First Linked Deposit Program Audits (pages 48-50)

   Audits and other reviews of deposits and loans related to several components of the Missouri First Linked Deposit Program were not being performed on a timely basis or in accordance with written procedures.

OFFICE OF STATE TREASURER
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Office of State Treasurer as of and for the year ended June 30, 1998, and have issued our report thereon dated December 31, 1998.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the office's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Bank Reconciliations

The State Treasurer's Office (STO) maintains numerous bank accounts to handle state monies. Due to the volume of activity, and the number and complexity of reconciling items, many of the main operating accounts are normally reconciled daily. However, one of these accounts, the Electronic Receipt/Payment Account, was not being reconciled on a timely basis.

The Electronic Receipt/Payment Account is used to process many of the state's electronic transactions, such as wire transfer receipts of federal monies, credit card receipts, direct deposits of payroll checks, and electronic vendor payments. During our audit, we noted that the daily bank reconciliations for this account ranged from five to nine months behind. For example, as of September 10, 1998 the account had only been reconciled up through December 22, 1997 and reconciliations of the daily activity up through June 30, 1998 were not completed until approximately December 2, 1998. To allow errors and other reconciling items to be identified, researched, and corrected in a timely manner, bank reconciliations should be kept up-to-date.

WE RECOMMEND the STO ensure reconciliations of all bank accounts are done on a timely basis.

AUDITEE'S RESPONSE

The STO is committed to ensuring the timely performance of all bank reconciliations. With the exception of the state's Electronic Receipt/Payment Account (''electronic account''), for the reasons noted herein, the STO has routinely and successfully reconciled all state accounts on a timely basis. Prior to the audit recommendations, the STO recognized that additional measures were necessary to ensure the timely reconciliation of the state's electronic account. Transactions in the electronic account alone

increased approximately 22 percent from Fiscal Year 1996 to Fiscal Year 1998. In addition, the increasing complexities of the transactions have resulted in a significantly greater number of reconciling items that require research.

The STO, prior to the audit recommendations, conducted numerous meetings with bank personnel and personnel from private industry to identify potential long-term solutions for maintaining timely reconciliation of the electronic account.

The STO subsequently obtained an appropriation, and is currently in the process of drafting a Request For Proposal to purchase an account reconciliation software system that will electronically aid the STO with the bank reconciliation process.

In addition, STO personnel have requested that the new statewide accounting system (SAM II) be designed to utilize bank account codes which will allow detailed transactions from the accounting system to be automatically reconciled by the STO's reconciliation system to activity electronically reported by the bank. By automating the routine matching process, the STO will have more time and resources to dedicate to researching and resolving the exception and older outstanding items, which are essential functions to ensure timely reconciliation of all state accounts.

The audit recommendations specifically address the issue of timely reconciliation of the electronic account. The STO is not aware of reconciliation issues involving any other state accounts, and has thus focused its response to the audit recommendations on timely reconciliation of the electronic account.

In addition to the long-term measures outlined in the section above, the STO has already implemented the following short-term measures to ensure compliance with the audit recommendations:

1. *The Trust Accounts Coordinator assigned to reconcile the electronic account has increased her total work hours per week, and will spend up to 16 additional hours per week dedicated to bringing reconciliation of the electronic account up-to-date.*

2. *The Banking Account Coordinator will assist the Trust Account Coordinator in bringing the reconciliation of the electronic account up-to-date, and will continue to research exception and outstanding items.*

3. *In addition, the Accounting and Banking Services Administrator and the Director of Banking and Administrative Services will allocate time to assist with the reconciliation of the electronic account.*

It is anticipated that reconciliation of the electronic account will be current as of August 16, 1999, and that the short-term and

long-term measures outlined above will ensure full compliance with the audit recommendations.

2.	Abandoned Fund Account Fund Transfers

The STO did not properly transfer the excess fund balance from the Abandoned Fund Account Fund to the General Revenue Fund as required by state law. The Abandoned Fund Account Fund was established by Section 447.543, RSMo, to accept deposits of all abandoned property turned over to the state and to pay claims and expenses related to that abandoned property.

Section 447.543.2, RSMo 1994, states that the "Treasurer may, and at least once every fiscal year shall" transfer to the General Revenue Fund the balance of the fund in excess of $50,000. To comply with this requirement, and to avoid multiple transfers back into the fund to cover claims and expenditures, the STO monitors the cash balance at the beginning of each month and transfers out the balance of funds, if any, in excess of $500,000 and once each fiscal year reduces the balance to $50,000. Apparently due to oversight however, the last time the balance was actually reduced to $50,000 was in May 1997. As of June 30, 1998, the balance in the fund totaled approximately $675,000.

Effective in August 1998, revisions to Section 447.543.2 changed the balance to which the fund must be reduced from $50,000 to one-twelfth of the previous fiscal year's total disbursements from the fund. Based on the total fund disbursements for the fiscal year ended June 30, 1998, the new balance to which the fund must be reduced at least once each fiscal year is approximately $345,000. As of December 1998, the STO had still only reduced the monthly balances to $500,000.

WE RECOMMEND the STO continue to monitor the cash balance of the Abandoned Fund Account Fund and ensure that the necessary transfer is made at least once each fiscal year to reduce the balance to the level required by state law.

AUDITEE'S RESPONSE

The STO has, for several years, recognized the discrepancy between the requirements of Section 447.543.2, RSMo 1994, which prior to the effective date of HB1510 (August 28, 1998), required an annual transfer to the General Revenue Fund of all balances held in the Abandoned Fund Account in excess of $50,000. The annual amount of funds disbursed from the Abandoned Fund Account has increased from $24,000 in Fiscal Year 1985 to over $5,100,000 in Fiscal Year 1999. Prior to HB1510, the rapid growth of unclaimed property disbursements gave rise to cash flow issues when the STO attempted to comply with the annual sweep of balances in excess of $50,000. The statutory minimum was simply too low to allow the STO to provide adequate funds for the return of property to the rightful owners. Recognizing that the $50,000 limit was insufficient, the

Missouri Legislature, in 1998, passed HB1510, which amended Section 447.543.2 to allow the Abandoned Fund Account to retain, as a minimum balance, 1/12th of the previous year's disbursements. Rather than setting the statutory minimum as a fixed dollar amount, the new minimum account balance calculation allows the minimum balance held in the fund to grow as the STO continues to reunite an increasing number of owners with their unclaimed property.
The STO is fully committed to complying with current state law regarding the annual transfer of the cash balance in excess of 1/12th of the previous year's disbursements from the Abandoned Fund Account. The STO has implemented a monthly procedure for transferring the fund balance down to the statutory limit. The balance transfer is made unless there are other needs for the Abandoned Fund Account balances, such as Article X transfers or the expectation of substantial claim payments.

The audit recommendations state that due to ''oversight,'' the last time the Abandoned Fund Account balance was reduced to $50,000 (the pre-HB1510 limit) was in May 1997. The STO suggests that oversight was not, in fact, to blame. Rather, circumstances surrounding the transfer of funds for Article X reimbursements and the difficulties in maintaining adequate balances to reimburse unclaimed property claims, under pre-HB1510 statutory requirements were causal factors.

The STO was contacted by the Office of Administration in February 1998 indicating that an Article X transfer would be made on April 8, 1999. Two transfers in the amount of $379,601 and $593,166 were made from the Abandoned Fund Account on June 17 and June 30, 1998, respectively. A transfer was made from the General Revenue Fund to the Abandoned Fund Account in the amount of $972,767 on June 29, 1998. The timing and size of these transactions impaired the STO's ability to bring the Abandoned Fund Account down to $50,000. If the offsetting transfer of $972,767 was not made on June 29, 1998, the Abandoned Fund Account could have gone into the negative.

While the timing of Article X transfers is still not precise, and the maintenance of adequate balances to ensure the payment of claims out of the Abandoned Fund Account remains a priority, the STO will follow the audit recommendations by continuing to closely monitor the cash balance of the Abandoned Fund Account and by annually implementing the balance transfer requirements as they presently exist under current state law.

3. Missouri First Linked Deposit Program Audits

Under the Missouri First Linked Deposit Program, below-market rate deposits of state funds are placed in Missouri financial institutions, allowing eligible borrowers to obtain low-interest loans from the institutions. Linked deposits are generally placed for one year, but for certain program components, deposits may be renewed if funds are available. The intent of the program is to make funds available at reduced-interest rates to lenders who agree to make reduced-rate loans to borrowers through the Missouri First Linked Deposit Program. The linked deposit program is made up of six components: Agriculture, Small Business, Job Creation, Multi-Family Housing Development, Student Loans, and Drought Relief. Financial institutions are required to pay the market rate interest to the state on any portion of the deposit that is not loaned out during the period of deposit or in accordance with program restrictions.

In an effort to ensure that linked deposit loans are being made only to eligible borrowers and are being used for their intended purpose, the State Treasurer's Office (STO) has designed an audit process for each of the linked deposit programs. Our review of the audits performed noted the following concerns:

A. Reviews of limits on the amount of outstanding loans per borrower related to the Agriculture (AG) and Small Business (SB) linked deposit programs have not been conducted on a timely basis. The STO had approximately $187 million in AG and SB deposits with numerous banks at both June 30, 1998 and December 31, 1998.

   Reviews of the loan activity via social security numbers (SSN) of AG and SB program participants are supposed to be performed to identify, for audit, any borrowers who exceeded the statutory limit on the amount of AG and SB loans that they may have outstanding at any one time. However, due to turnover and vacancies in the linked deposit program's compliance auditor position, as of December 1998, SSN reviews had not been performed for any deposits maturing in 1997.

B. Audits of the Job Creation linked deposit program have not been conducted in accordance with the STO's written procedures. The STO had approximately $34 million and $28 million in Job Creation deposits with numerous banks at June 30,1998 and December 31, 1998, respectively.

   The STO's written compliance examination procedures for the Job Creation program require that, annually, approximately 10 to 20 percent of Job Creation deposits maturing be selected based on various criteria and audited. However, due to the staff turnover and vacancies noted above, these procedures have not been followed for over two years. Rather, the STO has placed heavy reliance on self-reporting by the borrowers. Deposits were only selected for audit if the borrower self-reported that they did not create or retain the required number of jobs by the end of the deposit period or if the number of total jobs reported by the borrower exceeded the number

of jobs for that borrower per information obtained from the Division of Employment Security.

WE RECOMMEND the STO ensure that audits and other reviews of the Missouri First Linked Deposit Program are performed on a timely basis. In addition, the audits should conform to the STO's written guidelines.

AUDITEE'S RESPONSE

The STO is committed to ensuring that the audits and other reviews of the MISSOURI FIRSTLinked Deposit Program (Linked Deposit) are performed on a timely basis. Currently, all Linked Deposit audits conform to the STO written guidelines. Any changes in Linked Deposit audit policy are approved and adopted by the Linked Deposit committee and incorporated into the current policy manual prior to implementation.

A. SSN reviews are performed in the spring of each year after all data summary information through December 31 has been entered into the system. Due to the implementation of the automated billing system in the spring of 1998, SSN reviews were postponed until the fall. The auditor resigned prior to performing these audits. As of June 1, 1999, SSN reviews for the years ending December 31, 1997 and 1998 were complete.

B. Formal audit procedures require that six and twelve month letters be sent to the borrower/company requesting information on their job creation/retention. Formal procedures also require that verification of the twelve-month employment information be performed with the Division of Employment Security, and that 10-20% of maturing deposits are then audited. During Fiscal Year 1997, sixty-two Job Creation deposits matured. Of those, fifteen borrowers paid additional interest due to insufficient job creation, three borrowers were visited, and five recipients supplied additional information that replaced onsite visits.

This report is intended for the information of the management of the Office of State Treasurer and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

OFFICE OF STATE TREASURER
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Office of State Treasurer on recommendations made in the Management Advisory Report (MAR) of our report issued for the year ended June 30, 1997.

Missouri First Linked Deposit Program

A.1. The State Treasurer's Office (STO) had not established formal procedures outlining specific steps to be followed in the collection of delinquent accounts receivable.

2. Explanations of why some billings were written off were not adequately documented. In addition, authorization from someone independent of the billing function was not documented.

3. The STO did not issue prenumbered billing forms.

4. The STO had not established an accounts receivable control account.

B. The STO did not adequately ensure the eligibility of applicants for the agriculture and small business programs. During the application process, the STO allowed the individual applying for the loan to certify to the financial institution that eligibility requirements had been met, and the financial institution in turn certified to the STO that the applicant met the criteria. The STO's audit process for agriculture and small business deposits did not include verifying these certifications.

Recommendation:

The STO:

A.1. Implement formal procedures for the collection of delinquent accounts. In addition, documentation should be maintained of all collection efforts.

2. Require adequate supporting documentation indicating how billings for additional interest are resolved. In addition, billings that are considered resolved should be approved by someone independent of the record keeping process.

3. Issue prenumbered billing forms for additional interest being billed to the banks.

4. Establish and maintain an accounts receivable control account, and periodically reconcile the control account to the detailed listings of amounts due from the various banks.

B. Review the audit procedures currently being performed for the agricultural and small business programs, and consider establishing procedures to evaluate the eligibility certifications made by the financial institution and the loan applicant. In addition, the STO should ensure that the procedures performed to evaluate the eligibility of the applicant are well documented.

Status:

A.1. Implemented. A formal collection and billing procedures manual is now in use and all collection efforts are documented in the accounts receivable system and in the audit files.

2. Implemented. The compliance auditor is required to document how billings for additional interest were resolved. In addition, the Director of Investments is required to authorize any billing resolution other than full payment.

3&4. Implemented.

B. Implemented. The compliance auditor is now required to verify the eligibility requirements on 5% of the agriculture and small business deposits being audited. Loan applications now must also be filed with the STO prior to loan approval and each applicant's "years in program" eligibility (loan applicants are restricted to five years in the program) is validated prior to loan approval or loan renewal. In addition, the Division of Finance has begun reviewing the eligibility requirements of Missouri First deposits in conjunction with its field audits of banks throughout the state. However, our audit noted concerns with the STO's timeliness in performing the audits of agriculture and small business deposits. See MAR No. 3.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF STATE TREASURER
HISTORY AND ORGANIZATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor or in short-term U. S. government securities.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services; 2) disbursements and records; 3) investments and deposit programs; and 4) unclaimed property.

The accounting and banking services area: 1) maintains a fund accounting system for the purpose of allocating investment interest to funds; 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances; 3) controls receipt of state monies collected by fee agents and state agencies and deposited in local banks throughout the state; 4) reconciles bank activity to receipt and disbursement activity reflected on the state books; and 5) determines the amount of state monies not needed for current operating expenses.

The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) confirms daily disbursements with the bank as certified by the Office of Administration; 2) provides storage and retrieval of state checks; and 3) controls and processes outlawed checks and processes and verifies claims for replacement checks.

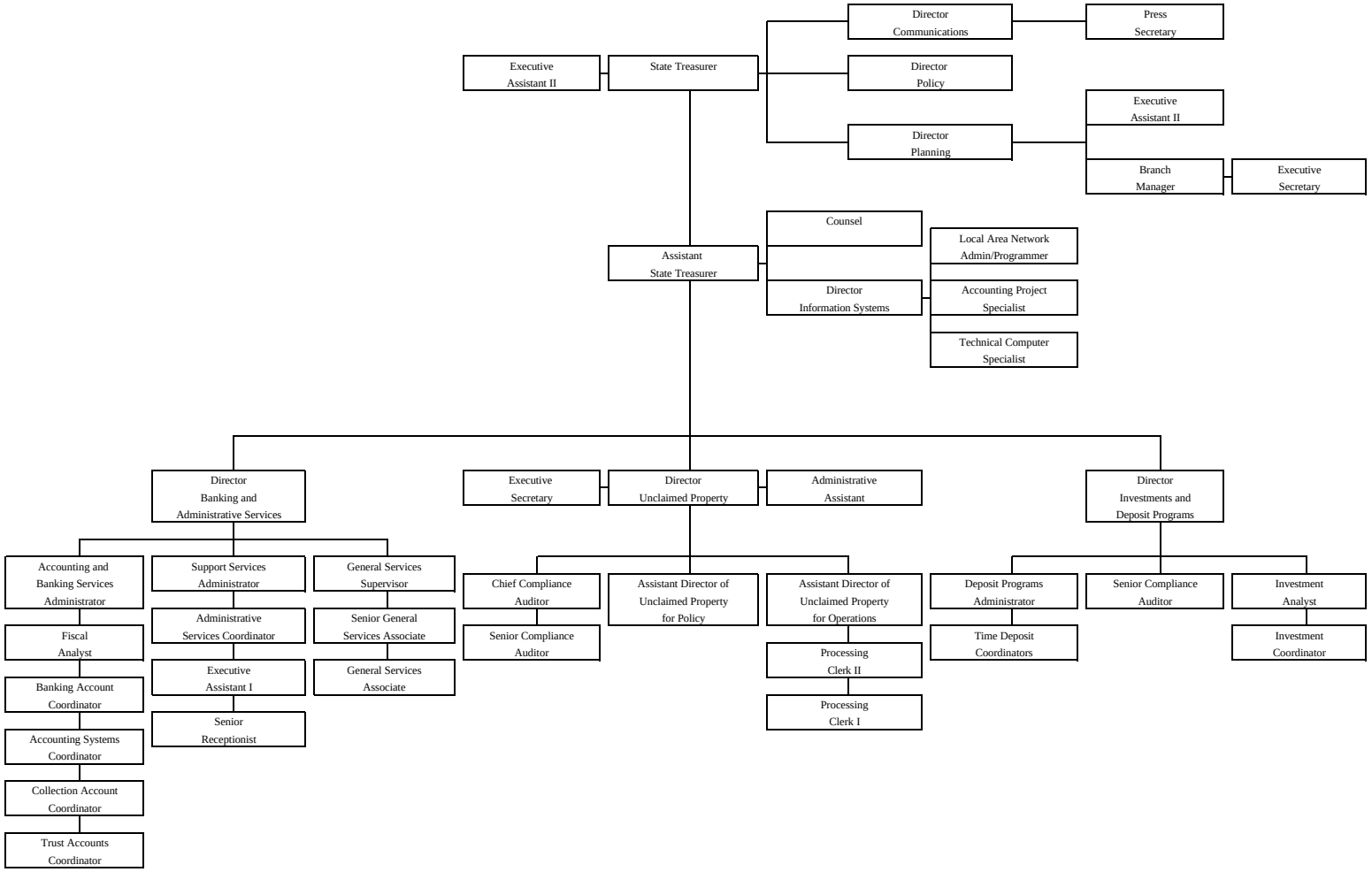
The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Section administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Section is responsible for: 1) ensuring unclaimed property is reported; 2) receiving and recording reports of unclaimed property; 3) depositing unclaimed funds to the Abandoned Fund Account Fund; 4) maintaining custody and safekeeping of abandoned or unclaimed physical property; and 5) processing owner claims for abandoned funds or physical property.

On January 13, 1997, Bob Holden was inaugurated for his second term as the forty-second Treasurer of the state of Missouri. Bob Holden's term will expire in January 2001.

As of June 30, 1998, the office had forty-four full-time and four part-time employees. An organization chart follows.

OFFICE OF STATE TREASURER
ORGANIZATION CHART
JUNE 30, 1998



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AUDIT REPORT

SPECIAL REVIEW OF

OFFICE OF CIRCUIT CLERK

CLARK COUNTY, MISSOURI

SEPTEMBER 1, 1997 THROUGH FEBRUARY 17, 1999

From The Office Of State Auditor
Claire McCaskill

Report No. 99-46
July 22, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2000

www.auditor.state.mo.us

FACT SHEET

The following areas of concern were discovered as a result of a review conducted by our office of the Highway Reciprocity Commission.

Under the International Fuel Tax Agreement (IFTA), the Highway Reciprocity Commission (HRC) is responsible for collecting and distributing motor fuel taxes from Missouri based licensees. Under the agreement, each Missouri based over the road carrier is required to hold an IFTA license, file quarterly fuel tax returns, and remit the applicable taxes.

The IFTA agreement states that if the commission exercises its right to require that a bond be posted, the bond should be at least twice the estimated average tax liability. Of the 23 carriers we reviewed which were required to post a bond, eight failed to post a sufficient bond.

As a result of an internal audit, the HRC has established a procedure of completing and filing a reinstatement checklist when reinstating revoked carriers. Although the HRC has established this procedure, we noted that a reinstatement checklist was either not completed at all, or was incomplete for some carriers we reviewed.

Our review of the "IFTA Carriers With A Bond" report revealed that the HRC is holding 27 cash bonds, totaling $13,500, for accounts that have been closed. Bonds are not automatically refunded when an account is closed. In addition, the HRC is holding bond monies for 36 non-renewed accounts totaling $18,000.

The HRC mails other jurisdictions a monthly letter notifying the respective jurisdiction of the net amount of fuel taxes due to or from the Sate of Missouri related to IFTA transactions. Reimbursements received remain in the commission's holding account until the reimbursement documentation has been processed. As of December 1999, reimbursements of approximately $1 million, dating as far back as March 1998, remained in the holding account.

If the additional registration fees for temporary permits are not received within 20 days of billing, the HRC places the carrier on the Missouri Highway Patrol Bulletin until the fees are paid or for a period of three years. If unpaid for three years these accounts are considered uncollectible, and are written off. The employee responsible for determining which accounts are to be written off is the same employee that bills the carriers and receipts monies.

Concerns were also noted with the edit function of the HRC's computerized receipt system and with the inability of the system to generate a change report.

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI

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FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS 10-12

CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Circuit Judge, First Judicial Circuit
and
Circuit Clerk of Clark County, Missouri

We have conducted a special review of the books, records, and accounts of the Office of Circuit Clerk of Clark County, Missouri. The scope of the special review included, but was not limited to, the period September 1, 1997, through February 17, 1999. The objectives of this review were to:

1. Investigate suspected irregularities in the Fee Account.

2. Determine the amount of court funds misappropriated.

3. Review and evaluate certain controls and procedures regarding the collection of and accounting for various court receipts.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of the Office of Circuit Clerk, interviewed personnel of the office, and examined other records and documents as we considered necessary for the review.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

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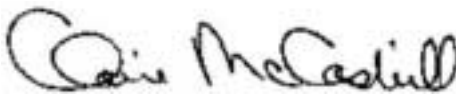
The accompanying Management Advisory Report presents our findings and recommendations concerning the Office of Circuit Clerk of Clark County, Missouri.



Claire McCaskill
State Auditor

April 1, 1999 (fieldwork completion date)

EXECUTIVE SUMMARY

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI
EXECUTIVE SUMMARY

Weaknesses in the internal control system and record keeping system of the Circuit Clerk's office allowed a shortage of at least $2,010 of court receipts to occur during the period September 1, 1997, through February 17, 1999.

This misappropriation could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the prior audit findings and the accompanying Management Advisory Report had been established.

Gary Dial serves as Circuit Judge of the First Judicial Circuit. Clark County Circuit Clerk Mary D. Jones receives, records, deposits and disburses monies and reconciles the bank account. Information regarding these shortages has been turned over to the Clark County Sheriff's department and the Missouri State Highway Patrol.

MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

The Clark County Circuit Clerk oversees the transactions and cases of the Circuit Court and Recorder's office.

During our audit of Clark County we noted discrepancies between amounts received and amounts recorded and deposited into the Clark County Circuit Court Fee Account. This special review was performed to more fully review the circumstances of these discrepancies and to more fully determine the extent of misappropriated court funds.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over receipts handled by the Circuit Clerk's office.

1. Missing Funds

Nineteen receipts totaling $2,010 were not deposited to the Circuit Clerk's fee account between September 1, 1997 and February 17, 1999. The Circuit Clerk identified $950 of this shortage and brought it to our attention on December 17, 1998, approximately one month after we began our fieldwork. The Circuit Clerk repaid $550 of the monies on December 16, 1998, and indicated she was following up on the remaining $400.

The discrepancies noted above were not detected due to internal control weaknesses, including a lack of segregation of duties and independent reviews. (See Management Advisory Report [MAR] No. 2). Similar shortages, and most of these weaknesses were also noted in our prior report. Had our recommendations been implemented, these shortages could have been prevented or detected.

Information regarding these shortages was turned over to the Clark County Sheriff's department and the Missouri State Highway Patrol.

WE RECOMMEND the Circuit Clerk work with law enforcement officials regarding any criminal prosecution and obtain reimbursement of the remaining $1,460.

AUDITEE'S RESPONSE

The Circuit Clerk indicated she has repaid an additional $490 and will repay the remaining $970. She stated she will cooperate with law enforcement officials.

2. Accounting Controls And Procedures

The Circuit Clerk collected court costs, filing fees, and judgments of approximately $94,000 in 1998. The following weaknesses were identified in the Circuit Clerk's accounting controls and procedures for the fee account:

A. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank account are not adequately segregated. Currently, the Circuit Clerk performs all these duties relating to the fee account. When the Circuit Clerk is busy or in court, the deputy clerks receive monies.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. This could be achieved by segregating the functions of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of recorded receipts and bank deposits and an independent review of bank reconciliations.

B. Receipts are not deposited intact on a timely basis. During the months reviewed, receipts were often deposited only two or three times a month. During several months the Circuit Clerk apparently held all the cash received during the month and deposited it at the end of the month. Deposits of cash ranged from approximately $200 to $1,000.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

C. Receipt slips were not issued for some monies received. During the period September 1, 1997 to February 17, 1999, 14 receipts totaling $13,310 were deposited, for which receipts slips had not been issued. In addition, it does not appear that receipt slips for other monies were issued at the time money was received. Several instances were noted where receipt slips were issued twice for the same check. While several of these were voided by the clerk, some of these were not identified as errors prior to our audit.

Failure to issue receipt slips for all monies received increases the risk that loss or misappropriation of funds will not be detected in a timely manner.

D. Receipts and disbursements are not recorded on the cash control ledger or the case fee sheets on a timely basis. As of January 1999, the Circuit Clerk was two months behind. Some monies for which receipts slips were not issued, were also not recorded in the cash control ledger. In addition, many mathematical errors were made in recording receipts and checks, as well as in preparing totals and balances.

A complete and accurate cash control ledger is necessary to provide accountability of funds and facilitate reconciliation procedures between bank and accounting balances.

E. The Circuit Clerk did not reconcile the bank balance to the cash balance shown on the ledger.

Failure to reconcile bank records to accounting records on a timely basis allowed errors and shortages to occur and not be detected. If this reconciliation had been performed, the discrepancies previously noted could have been identified and investigated in a timely manner.

F. Monthly listings of open items are not prepared. The reconciled bank balance of the fee account was approximately $134,000 at January 31, 1999. Preparing accurate listings of open items and agreeing the total with the reconciled cash balance help ensure sufficient assets exist to cover liabilities and all monies are properly recorded and handled. It appears that many of these cases have balances which could be distributed to the county, victims and others.

G. A complete listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. A complete and accurate accrued costs listing would allow the Circuit Clerk to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.

Conditions D, G, and E were noted in the past two reports, and conditions A, B, C, and F were noted in the prior report.

WE AGAIN RECOMMEND the Circuit Clerk:

A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.

B. Deposit receipts intact daily or when accumulated receipts exceed $100.

C. Issue receipt slips for all monies received.

D. Record receipts and disbursements in the cash control ledger accurately and in a timely manner.

E. Reconcile the cash control ledger to bank records monthly and investigate and resolve any differences on a timely basis.

F. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance. Any differences should be investigated and resolved.

G. Maintain a complete and accurate listing of accrued costs and pursue timely collection.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A. *She plans to change office procedures in October to coincide with office personnel changes. She plans to segregate duties by having whoever is available collect monies and issue receipts. Nightly, the Circuit Clerk will prepare a deposit and tie receipts to deposits. She will have another employee perform monthly bank reconciliations.*

B. *Deposits are now made daily and a corresponding receipt number is listed by each item for the deposit.*

C. *She tries to issue a receipt slip for each receipt.*

D. *She now records receipts on the cash control ledger nightly.*

E.&
F. *The Office of State Courts Administrator (OSCA) will be at her office in August to help her establish an open items listing. Once the listing is prepared she will reconcile the open items listing and cash control ledger to the reconciled bank balance.*

G. *She keeps the fee sheets separate for those cases that have accrued costs. She will talk to OSCA about the possibility of making an accrued cost listing.*

This report is intended for the information of the management of the office of Circuit Clerk of Clark County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Clark County Circuit Clerk on the recommendations made in the Management Advisory Report (MAR) of our report of Clark County issued for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the Circuit Clerk should consider implementing these recommendations.

1. Circuit Clerk's Deposits

A receipt slip was issued July 10, 1997, for $900 cash which could not be traced to a deposit. In addition, other receipt slips and ledger entries of at least $740 could not be traced to deposits.

Recommendation:

The Circuit Clerk investigate the above noted discrepancies and take the appropriate follow-up action. Any shortage should be reimbursed to the official account.

Status:

Partially implemented. The Circuit Clerk repaid $900 to the official account in October of 1997, and provided an explanation for one item ($115) of the $740 of discrepancies. However, a similar situation was noted in the current audit. See MAR No.1.

2. Circuit Clerk's Accounting Controls

A. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank account were not adequately segregated.

B. One receipt book which included five hundred slips issued from May 1996 through February 1997 could not be located.

C. Receipts were not deposited intact on a timely basis.

D. Receipt slips are not issued for some monies received.

E. The cash control ledger was not adequately maintained.

F. The Circuit Clerk was unable to reconcile the bank balance to the cash control ledger.

G. Checks were not restrictively endorsed immediately upon receipt.

H. Monthly listings of open items were not prepared.

I. A complete listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.

Recommendation:

The Circuit Clerk:

A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.

B. Retain all records.

C. Deposit receipts intact daily or when accumulated receipts exceed $100.

D. Issue receipt slips for all monies received.

E. Record receipts and disbursements in the cash control ledger accurately and in a timely manner.

F. Reconcile the cash control ledger to bank records monthly and investigate and resolve any differences on a timely basis.

G. Restrictively endorse checks immediately upon receipt.

H. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance. Any differences should be investigated and resolved.

I. Maintain a complete and accurate listing of accrued costs and pursue timely collection.

Status:

A, C, D, E, F, H &I. Not implemented. See MAR No. 2.

B. Not implemented. The indicated receipt slip book has still not been located. Although not repeated in the current report, our recommendation remains as stated above.

G. Implemented.

AUDIT REPORT

THIRTY-FOURTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

NEW MADRID COUNTY, MISSOURI

TWO YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-45
July 21, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following audit report presents our findings and recommendations for the municipal divisions of the Thirty-Fourth Judicial Circuit in New Madrid County. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Gideon	*pages 24-26*
City of Lilbourn	*pages 26-29*
City of Marston	*pages 29-30*
City of Morehouse	*pages 30-31*
City of New Madrid	*pages 31-32*
City of Parma	*pages 33-36*
City of Portageville	*pages 36-37*
City of Tallapoosa	*pages 37-38*

We had no findings or recommendations for the municipal divisions of the **City of Canalou** and the **City of Risco**. The municipal divisions for the City of Howardville and the City of Matthews are reported on separately.

Actions taken by the various municipal divisions of the Thirty-Fourth Judicial Circuit in New Madrid County recommendations made in the prior report are noted on pages 40-57.

YELLOW SHEET

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI

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THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI

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State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Thirty-Fourth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, as of and for the years ended June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1997 and 1996, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four through seven, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Internal controls and accounting records of the city of Gideon Municipal Division were inadequate. Records containing the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained. Bonds held in trust by the city were not identified to specific court cases. As a result, we were unable to satisfy ourselves by appropriate

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audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Internal controls and accounting records of the city of Lilbourn Municipal Division were inadequate. Records containing the numerical sequence and ultimate disposition of each traffic ticket and complaint form issued by the police department were not maintained. Bonds held in trust were not identified to specific court cases. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Internal controls and accounting records of the city of New Madrid Municipal Division were inadequate. Complaint forms issued by the police department are not prenumbered and records containing the numerical sequence and ultimate disposition of each traffic ticket and complaint form issued by the police department were not maintained. Bonds held in trust by the city were not identified to specific court cases. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended April 30, 1998 and 1997.

Internal controls and accounting records of the city of Marston Municipal Division were inadequate. Records containing the numerical sequence and ultimate disposition of summonses were not maintained. Bonds held in trust by the municipal division were not identified to specific court cases. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended December 31, 1997 and 1996.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding four paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, as of and for the years ended June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1997 and 1996, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

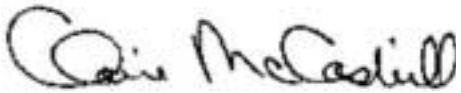
We also had planned to audit the accompanying special-purpose financial statements of the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997. This special-purpose financial statement is the responsibility of the municipal division's management.

As a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of the city of Parma Municipal Division for the years ended June 30, 1998 and 1997.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 3, 1998 and May 28, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

September 3, 1998, except for the
city of Parma Municipal Division,
as to which the date is May 28, 1999 (fieldwork completion dates)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Thirty-Fourth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, as of and for the years ended June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1998 and 1997, and have issued our report thereon dated September 3, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Gideon, the city of Lilbourn, the city of New Madrid, and the city of Marston for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statement of the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997 and have issued our report thereon dated May 28, 1999. In that report we did not express an opinion on this special-purpose financial statement.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed material instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are presented in the accompanying Management Advisory Report. We also noted certain other instances of noncompliance which are presented in that report.

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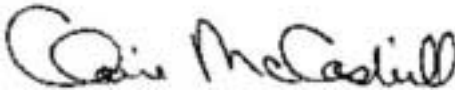
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

September 3, 1998, except for the
city of Parma Municipal Division,
as to which the date is May 28, 1999 (fieldwork completion dates)

Financial Statements

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Canalou Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 45	0
Total Receipts	45	0
DISBURSEMENTS		
City treasury	45	0
State of Missouri (Note 3)	0	0
Total Disbursements	45	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Gideon Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 11,563	9,321
Total Receipts	11,563	9,321
DISBURSEMENTS		
City treasury	11,563	9,321
State of Missouri (Note 3)	0	0
Total Disbursements	11,563	9,321
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Lilbourn Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 7,720	5,279
Total Receipts	7,720	5,279
DISBURSEMENTS		
City treasury	7,123	5,536
State of Missouri (Note 3)	0	0
Refunds and other	494	119
Total Disbursements	7,617	5,655
RECEIPTS OVER (UNDER) DISBURSEMENTS	103	-376
CASH, JULY 1	865	1,241
CASH, JUNE 30	$ 968	865

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Parma Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 36,826	27,193
Total Receipts	36,826	27,193
DISBURSEMENTS		
City treasury	34,330	25,026
State of Missouri (Note 3)	0	0
Refunds and other	1,138	1,658
Unaccountable (Note 5)	1,277	0
Total Disbursements	36,745	26,684
RECEIPTS OVER (UNDER) DISBURSEMENTS	81	509
CASH, JULY 1	1,568	1,059
CASH, JUNE 30	$ 1,649	1,568

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of New Madrid Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 36,204	38,944
Total Receipts	36,204	38,944
DISBURSEMENTS		
City treasury	36,204	38,944
State of Missouri (Note 3)	0	0
Total Disbursements	36,204	38,944
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, MAY 1	0	0
CASH, APRIL 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Portageville Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 38,164	48,658
Total Receipts	38,164	48,658
DISBURSEMENTS		
City treasury	35,500	46,059
State of Missouri	1,681	1,919
Refunds and other	930	1,145
Total Disbursements	38,111	49,123
RECEIPTS OVER (UNDER) DISBURSEMENTS	53	-465
CASH, MAY 1	817	1,282
CASH, APRIL 30	$ 870	817

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Risco Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 922	3,715
Total Receipts	922	3,715
DISBURSEMENTS		
City treasury	922	3,715
State of Missouri (Note 3)	0	0
Total Disbursements	922	3,715
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, MAY 1	0	0
CASH, APRIL 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Marston Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 9,533	5,008
Total Receipts	9,533	5,008
DISBURSEMENTS		
City treasury	7,623	4,541
State of Missouri	570	342
Refunds and other	831	1,275
Total Disbursements	9,024	6,158
RECEIPTS OVER (UNDER) DISBURSEMENTS	509	-1,150
CASH, JANUARY 1	0	1,150
CASH, DECEMBER 31	$ 509	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Morehouse Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 18,739	20,894
Total Receipts	18,739	20,894
DISBURSEMENTS		
City treasury	13,897	27,796
State of Missouri (Note 3)	0	0
Refunds and other	3,061	4,627
Total Disbursements	16,958	32,423
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,781	-11,529
CASH, JANUARY 1	1,387	12,916
CASH, DECEMBER 31	$ 3,168	1,387

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Tallapoosa Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 3,497	466
Total Receipts	3,497	466
DISBURSEMENTS		
City treasury	3,035	182
State of Missouri (Note 3)	0	0
Refunds and other	462	284
Total Disbursements	3,497	466
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JANUARY 1	0	0
CASH, DECEMBER 31	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Thirty-Fourth Judicial Circuit of the state of Missouri located in New Madrid County. The municipal divisions of the city of Howardville and the city of Matthews are reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998, 1997, 1996, all bank account balances reported for the municipal divisions of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Portageville and the city of Marston. Amounts remitted by the cities to the state are not included in the financial statements.

4. Bonds

Bonds posted by defendants for the city of Canalou Municipal Division are held as cash by the court. The amounts held in cash at year-end could not be determined and, therefore, are not included in the financial statements.

Bonds posted by defendants for the municipal divisions of the city of Gideon, the city of New Madrid, the city of Risco, and the city of Tallapoosa are deposited directly into the city treasury. The amounts held by the cities at year-end could not be determined and, therefore, are not included in the financial statements. In addition, bonds refunded to defendants by the municipal divisions of the city of Gideon and the city of New Madrid could not be determined, and these amounts are not included in the financial statements.

5. City of Parma

Fines, court costs, and bonds which court records indicate were received by the municipal division but not deposited are included in the receipts and are presented as unaccountable disbursements on the financial statement for the year ended June 30, 1998.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, as of and for the years ended June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1998 and 1997, and have issued our report thereon dated September 3, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Gideon, the city of Lilbourn, the city of New Madrid, and the city of Marston for the applicable fiscal periods.

We also had planned to audit the special-purpose financial statements of the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997 and have issued our report thereon dated May 28, 1999. In that report we did not express an opinion on this special-purpose financial statement.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Gideon Municipal Division

A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliations between receipts and deposits by an independent person.

B. We noted the following concerns related to bonds:

1) A ledger of bonds received and disbursed is not maintained. Bond monies are deposited along with other court receipts into the city treasury. A bond ledger is necessary to ensure all bonds are recorded and accounted for properly.

2) Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

C. The court allows defendants to make partial payments on fines and court costs. Accounts receivable records are not adequately maintained and signed payment agreements are not required. Without adequate accounts receivable records, the court cannot effectively monitor and collect monies owed to the court.

D. A traffic ticket log is maintained by the police department detailing the disposition of individual traffic tickets; however, the numerical sequence of ticket numbers on this log is not accounted for properly. Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department and the municipal division cannot be assured all tickets are submitted to the court for processing.

E. Crime Victims' Compensation (CVC), Law Enforcement Training (LET), and Peace Officers' Standards and Training Commission (POSTC) fees are assessed on dismissed cases. Sections 590.140 and 595.045, RSMo Cumulative Supp. 1998, require that these fees not be charged on dismissed cases.

F. The Court Clerk did not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP) for 12 of 16 (75 percent) tickets reviewed. Section 302.225, RSMo Cumulative Supp. 1998, requires any plea or finding of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

Conditions A, B, D and F were also noted in the prior report.

WE RECOMMEND the city of Gideon Municipal Division:

A. Adequately segregate the duties or establish a documented supervisory review of the reconciliations between receipts and deposits by an independent person.

B.1. Maintain a bond ledger to account for bond receipts and disbursements.

2. Prepare monthly listings of open items (liabilities) and reconcile the listings to monies held in trust.

C. Maintain adequate accounts receivable records including signed payment agreements and a control ledger. Periodically reconcile the control ledger to the remaining balance on the individual payment agreements.

D. Work with the police department to account for the numerical sequence and ultimate disposition of all tickets issued.

E. Assess court costs in accordance with state law.

F. Forward records of convictions on traffic offenses to the MSHP as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

AUDITEE'S RESPONSE

The Court Clerk responded as follows:

A. A receipts and disbursements ledger has been implemented with the majority of entries made by the City Clerk.

The receipts and disbursements ledger is reconciled with bank statements monthly by the City Treasurer.

A bank account separate from all other city funds has been established for the court. All monies collected for the court are kept separate from all city funds.

B.1. A bond ledger has been implemented for all bonds posted.

2. Open items will be reconciled to monies held in trust at the end of each month.

C. Signed payment agreements are being done. A ledger has been implemented that lists all fines due with no or partial payments made.

D. Traffic tickets are being issued in a numerical sequence by the Police Department and a log is maintained for each ticket book.

E. CVC, LET and POSTC are no longer collected on dismissed cases.

F. Traffic offense conviction tickets are being sent to the MSHP.

2.	**City of Lilbourn Municipal Division**

A. The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliations between receipts and deposits by an independent person.

B. Some police officers who collect fines, court costs, and bonds, are not covered by an employee bond. Failure to properly bond all persons with access to assets exposes the municipal division and city to risk of loss.

C. Neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and the ultimate disposition of traffic tickets and complaint forms. Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets and complaint forms, the police department and the municipal division cannot be assured all tickets and complaint forms are submitted to the court for processing.

D. We noted the following concerns related to bonds:

1) A ledger of bonds received and disbursed is not maintained. Bond monies are deposited into a separate bond account. A bond ledger is necessary to ensure all bonds are recorded and accounted for properly.

2) Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

E. The court allows defendants to make partial payments on fines and court costs. Accounts receivable records are not adequately maintained and signed payment agreements were not obtained for some defendants.

Without adequate accounts receivable records, the court cannot effectively monitor and collect monies owed to the court.

F. Although the municipal division operates a traffic violations bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and court costs to be imposed for each offense.

G. We noted instances in which the amount of court costs totaled $17. Section 488.012, RSMo Cumulative Supp. 1998, states court costs may be collected in an amount not to exceed $12 per case.

Conditions A, D, and F were also noted in the prior report.

WE RECOMMEND the city of Lilbourn Municipal Division:

A. Adequately segregate the duties or establish a documented supervisory review of the reconciliations between receipts and deposits by an independent person.

B. Request the city obtain adequate bond coverage for all persons handling court monies.

C. Work with the police department to account for the numerical sequence and ultimate disposition of all tickets and complaint forms issued.

D.1. Maintain a bond ledger to account for bond receipts and disbursements.

2. Prepare monthly listings of open items (liabilities) and reconcile the listings to monies held in trust.

E. Maintain adequate accounts receivable records including signed payment agreements and a control ledger. Periodically reconcile the control ledger to the remaining balance on the individual payment agreements.

F. Prepare a court order to authorize the establishment of a TVB.

G. Assess court costs in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A. The Judge and Clerk will review the receipts, deposits and court dockets on a monthly basis.

B. Currently, the Police Chief is bonded and is the only other person authorized to collect court monies.

C. The Clerk will maintain a ledger of UTTs and complaint forms in numerical sequence. The Police Chief will maintain a numerical listing of tickets and complaints. The Court Clerk, Judge, and Police Chief will compare the listing periodically.

D.1. A bond ledger is now being maintained. We will continue to maintain this ledger.

2. The bond ledger will achieve this objective.

E. The court has and will continue to use signed payment agreements and ledger sheets for anyone owing money to the court. We will continue to reconcile the ledger to payment agreements.

F. The Judge will prepare a court order to authorize a TVB.

G. The court costs have been changed to $12 per case.

3. City of Marston Municipal Division

A. The duties of receiving, recording, depositing, and disbursing court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliations between receipts and deposits by an independent person.

B. We noted the following concerns related to bonds:

1) A ledger of bonds received and disbursed is not maintained. Bond monies are deposited into the court bank account. A bond ledger is necessary to ensure all bonds are recorded and accounted for properly.

2) Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

C. Neither the police department nor the municipal division maintains adequate records to account for summonses issued, and their ultimate disposition. Without a proper

accounting of the numerical sequence and ultimate disposition of summonses, the police department and the municipal division cannot be assured all summonses are submitted to the court for processing.

These conditions were also noted in the prior report.
WE AGAIN RECOMMEND the city of Marston Municipal Division:

A. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

B.1. Maintain a bond ledger to account for bond receipts and disbursements.

2. Prepare monthly listings of open items and reconcile the listings to monies held in trust.

C. Work with the police department to account for the numerical sequence and ultimate disposition of all summonses.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A. This has been implemented. The duties of receiving, recording and depositing court receipts is done by the Court Clerk. Disbursing court receipts is done by two members of City Council. Disbursements (check signing) are done by two persons other than the Court Clerk. The receipts and disbursements are supervised or reviewed by a member of City Council, including a reconciliation between receipts and deposits.

B. A bond ledger is presently being kept and reconciled to the bank statement monthly.

C. A new system for complaint/summons forms has been implemented. These are prenumbered. When a complaint is made, a case number is assigned immediately.

4. City of Morehouse Municipal Division

We noted the following concerns related to bonds:

A. A ledger of bonds received and disbursed is not maintained. Bond monies are deposited into a separate bond account. A bond ledger is necessary to ensure all bonds are recorded and accounted for properly.

B. Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

These conditions were also noted in the prior report.

WE AGAIN RECOMMEND the city of Morehouse Municipal Division:

A. Maintain a bond ledger to account for bond receipts and disbursements.

B. Prepare monthly listings of open items and reconcile the listings to monies held in trust.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A. A bond ledger is being set up and will be maintained in the future.

B. The Court Clerk has prepared a monthly list of liabilities, beginning with January 1999.

5. City of New Madrid Municipal Division

A. We noted the following concerns related to bonds:

1) A ledger of bonds received and disbursed is not maintained. Bond monies are deposited along with other court receipts into the city treasury. A bond ledger is necessary to ensure all bonds are recorded and accounted for properly.

2) Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

B. Although the municipal division operates as a traffic violations bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the TVB.

C. The Police Department uses complaint forms that are not prenumbered by the printer. Complaint forms are issued for non-traffic violations which occasionally result in the

payment of fines and court costs. In addition, a log is not maintained to account for the complaint forms and their ultimate disposition.

To ensure all complaints forms are properly submitted to the court, prenumbered complaint forms should be issued and their numerical sequence accounted for properly.

D. The Municipal Judge collected $396 from May 1993 through September 1996, when he turned the monies over to the Court Clerk. These monies could not be identified with any court case and have not been deposited or credited. Unidentified amounts should be remitted to the state's Unclaimed Property Section in accordance with Sections 447.500 through 447.595, RSMo 1994.

Conditions A, C and D were also noted in the prior report.

WE RECOMMEND the city of New Madrid Municipal Division:

A.1. Maintain a bond ledger to account for bond receipts and disbursements.

2. Prepare monthly listings of open items (liabilities) and reconcile the listings to monies held in trust.

B. Prepare a court order to authorize the establishment of a TVB.

C. Request the police department issue prenumbered complaint forms and account for the numerical sequence and ultimate disposition of all forms.

D. Determine the proper disposition for the $396 or remit it to the state's Unclaimed Property Section.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A.1. A separate bond ledger to account for bond receipts and disbursements is now being prepared in addition to a record of bonds received and bonds disbursed in the general ledger.

2. The bond ledger is reconciled on a monthly basis.

B. A court order authorizing TVB has been completed.

C. Numbered complaints forms will be implemented on the next order.

D. The $396 collected by Judge has been deposited to the Police Fund.

6. City of Parma Municipal Division

A. The city of Parma Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. Payments prior to court and during court are received by the Court Clerk. The Police Chief may also receive payments in the absence of the Court Clerk. During our review of court receipt records and deposits we noted that receipts exceeded deposits by $1,581 for the two years ended June 30, 1998, and the period July 1, 1998 through May 11, 1999. In addition, we noted a $70 payment which was received by the Police Chief in March 1999 but was not recorded or deposited by the court.

On four occasions between July 1, 1997 and September 8, 1998, the Court Clerk documented in the cash control ledger that she noted shortages in court receipts totaling $421. There was no explanation for the shortages. Prior to September 8, 1998, court monies were kept in a file cabinet in the Court Clerk's office until they were deposited. Both the office and the file cabinet were locked at night, however, numerous city employees and officials had a key to the office. When the Court Clerk noted a $300 shortage on the September 8, 1998 deposit, she reported the shortage to the Mayor. In response, the city purchased a safe to secure court monies and changed the lock on the Court Clerk's office. No subsequent shortages were noted.

The misappropriation of court receipts was allowed to occur, and the full extent of misappropriation was not detected on a timely basis due to several internal control weaknesses as discussed below. Many of these weaknesses were also noted in our prior report.

B. The duties of receiving, recording, depositing, and disbursing court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliations between receipts and deposits by an independent person.

C. Neither the police department nor the municipal division maintain adequate records to account for complaint forms and traffic tickets issued and their ultimate disposition. Without a proper accounting of the numerical sequence and the ultimate

disposition of traffic tickets and complaint forms, the police department and the municipal division cannot be assured all tickets and complaint forms are submitted to the court for processing.

D. The cash control ledger does not have a running balance which can be reconciled to other accounting records and bank records. A complete and accurate cash control record is necessary for reconciliation procedures between the accounting records and cash in the bank as well as to detect errors on a timely basis.

E. We noted the following concerns related to bonds:

1) A ledger of bonds received and disbursed is not maintained. Bond monies are deposited along with other court receipts into the court account. A bond ledger is necessary to ensure all bonds are recorded and accounted for properly.

2) Monthly listings of open items (liabilities) are not prepared. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

F. CVC and POSTC fees are collected and turned over to the city. However, the city has not remitted the state's share of these collections to the state. Our review noted that total CVC and POSTC collections due the state for the years ended June 30, 1998 and 1997 are $2,009 and $1,903, respectively.

Section 595.045, RSMo Cumulative Supp. 1998, requires 95 percent of CVC collections be paid monthly to the state. Effective July 1, 1997, Section 590.100, RSMo Cumulative Supp. 1998, requires that 100 percent of POSTC collections be paid monthly to the state.

G. Although the municipal division operates as a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order formally establishing the TVB has not been issued.

Section 479.080, RSMo 1994 states that a TVB may be established by the Municipal Judge. Supreme Court Rule 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, to designate the offenses within the authority of the TVB clerk, and to establish by schedule, which is to be prominently posted at the TVB, the amount of fines and costs to be imposed for each offense.

H. Some cases heard before the Municipal Judge were not listed on the court docket. Section 479.070, RSMo 1994 requires the proceedings for every case be entered on the court docket. To ensure all cases have been accounted for, court dockets listing all cases and the disposition of those cases should be prepared and retained.

I. Fines assessed did not always agree with those on the established fine schedule. In addition, the Municipal Judge did not sign the court docket to indicate his approval of the amounts assessed. To ensure the proper amount of fines and court costs are collected, amounts collected should agree to the TVB schedule unless a different amount is assessed and documented by the Municipal Judge.

Conditions B, C, D, E, F, G, and I were noted in the prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Parma Municipal Division as of and for the years ended June 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Parma Municipal Division:

A. Along with the city, review the situation and discuss with the Prosecuting Attorney possible legal actions.

B. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

C. Work with the police department to account for the numerical sequence and ultimate disposition of all complaint forms and tickets issued.

D. Maintain a running balance in the cash control ledger and reconcile the cash control ledger balance to accounting records and the monthly bank reconciliation.

E.1. Maintain a bond ledger to account for bond receipts and disbursements.

2. Prepare monthly listings of open items (liabilities) and reconcile the listings to monies held in trust.

F. Request the city remit 95 percent of CVC and 100 percent of POSTC collections to the state monthly in accordance with state law. In addition, the $2,009 of CVC and $1,903 of POSTC fees should be promptly remitted to the state for the two years ended June 30, 1998.

G. Prepare a court order to authorize the establishment of a TVB.

H. Document all court actions on the court docket.

I. Collect the proper amount of fines and court costs in accordance with the TVB schedule or in accordance with the Municipal Judge's order. The municipal division should also document fines and costs assessed in accordance with the Municipal Judge's orders and those not appearing on the established fine schedule.

AUDITEE'S RESPONSE

The Court Clerk responded as follows:

A. The Court Clerk, Judge and Mayor will discuss this matter.

B. The City Clerk or Treasurer will review the Court Clerk report, receipt slips and deposit slips.

C. Will continue to work with the police department to account for the numerical sequence and disposition.

D&H. These recommendations have been implemented.

E.1. This finding will be implemented. A bond ledger will be kept to show receipts and disbursements.

2. The recommendation will be implemented. An open items listing is prepared monthly.

F. Will consult with the Mayor to reassure the necessary funds are submitted and all future fees are submitted monthly to the state.

G. Will discuss this with the Judge.

I. Will discuss this with the Municipal Judge. Fines and costs were ordered by Judge but he did not sign off. Will make sure Judge signs off on all dockets.

7. City of Portageville Municipal Division

A. Police officers who collect fines, court costs and bond monies are not covered by an employee bond. Failure to properly bond all persons with access to assets exposes the municipal division and city to risk of loss.

B. The Court Clerk accepts cash, checks and money orders for the payment of fines, court costs, bonds and restitution; however, these receipts are not deposited on a timely basis, with deposits averaging greater than $800 being made approximately twice weekly. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

Condition A was also noted in the prior report.

WE RECOMMEND the city of Portageville Municipal Division:

A. Request the city obtain bond coverage for all persons handling court monies.

B. Deposit receipts daily or when accumulated receipts exceed $100.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A. The Municipal Judge requested the City Board to obtain bond coverage for all people handling the court funds after the prior report. The City Board opted to bond only the Court Clerk and the Judge. This request will be made again.

B. The Judge is responsible for all monies taken in by the court. The money is deposited as soon as possible after received.

8. City of Tallapoosa Municipal Division

A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisory review of the reconciliation between receipts and deposits by an independent person.

B. Our review noted the following concerns related to receipts:

1) Receipt slips issued for the receipt of fines and court costs are not prenumbered. To adequately account for all receipts, prenumbered receipt slips should be issued and the numerical sequence should be accounted for properly.

2) The municipal division accepts cash, checks, and money orders for payments of fines, court costs, bonds, and restitution. The method of payment is not always indicated on receipt slips. To ensure monies received are deposited, the method of payment should be recorded on the receipt slip and reconciled to the composition of bank deposits.

C. CVC fees are collected and deposited into the city treasury. However, the city has not remitted the state's share of these collections to the state. Section 595.045,

RSMo Cumulative Supp. 1997, requires a $5 CVC fee be charged on all cases for violations of municipal ordinances, except those dismissed by the Judge and requires that 95 percent of CVC fees be paid monthly to the state.

D. The Court Clerk did not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Section 302.225, RSMo Cumulative Supp. 1997, requires any plea or finding of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

These conditions were also noted in the prior report.

WE AGAIN RECOMMEND the city of Tallapoosa Municipal Division:

A. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of the receipt slips.

2. Indicate the method of payment on each receipt slip issued and reconcile the composition of receipt slips to the composition of bank deposits.

C. Request the city remit 95 percent of all CVC fees to the state monthly as required by state law.

D. Forward records of convictions on traffic offenses to the MSHP as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A. The Court Clerk reviews the financial information with the Mayor and Board of Alderman at their monthly meetings.

B.1. All receipt slips will now be numbered.

B.2. Cash or check will be recorded on the receipt slips.

C. Up until the last 1 1/2 to 2 years, the court did not have very much activity and the Clerk did not know how to handle CVC collections. With the Judge's advice we have now sent the payment to the state.

D. These records have now been sent to the MSHP.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - NEW MADRID COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by ten of the municipal divisions of the Thirty-Fourth Judicial Circuit, New Madrid County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended 1993, 1992, and 1991. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal division should consider implementing these recommendations.

1. City of Canalou Municipal Division

   A. The duties of receiving, recording, and depositing court receipts were not adequately segregated.

   B. Our review noted the following concerns related to receipts:

      1) The Court Clerk did not issue receipt slips for some court monies.

      2) Receipt slips were not prenumbered.

      3) Receipt slips did not indicate the method of payment.

   C. Our review noted the following concerns related to cash bonds:

      1) Cash bonds were not deposited into a bank account, but were held by the Court Clerk until disposition of the case.

      2) A ledger of bonds received and disbursed was not maintained.

   D. Neither the police department nor the court maintained adequate records to account for all traffic tickets and summons/complaint forms.

      1) Records were not maintained to account for the numerical sequence of all traffic tickets, whether issued, lost or voided, and their ultimate disposition.

      2) The police department used only one traffic ticket book at a time; however, the traffic ticket books were not always used in numerical sequence.

      3) The police department issued summons/complaint forms for non-traffic ordinance violations. These forms were not prenumbered.

   E. Our review noted CVC fees had not been remitted to the state Department of Revenue (DOR) on a monthly basis as required by state law.

Recommendation:

The city of Canalou Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. &2. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

3. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

C.1. Open a bank account for the deposit of all cash bonds, and make subsequent disbursements of the bonds by check.

2. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled monthly to the bonds held in trust by the court.

D.1. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

2. Request the police department to use all traffic tickets in numerical sequence.

3. Obtain and use prenumbered summons/complaint forms for non-traffic ordinance violations and account for the numerical sequence of these forms.

E. Ensure all CVC fees are remitted to the state monthly as required by state law.

Status:

A, C, D, & E. Not implemented. The city of Canalou Municipal Division only handled four cases during the year ended June 30, 1998. As a result, we have not repeated these findings in our current report. However, our recommendations remain as stated above.

B. Implemented.

2. City of Gideon Municipal Division

A. The duties of issuing traffic tickets, and receiving, recording, and transmitting court receipts were not adequately segregated.

B. We noted the following concerns related to bonds:

1) A ledger of bonds received and disbursed was not maintained.

2) Monthly listings of open items (liabilities) were not prepared.

C. Receipt slips issued by the Police Chief and the City Clerk did not indicate the method of payment received.

D. We noted the following concerns related to traffic tickets and summonses issued by the police department:

1) Ticket books were not always assigned to the officers in numerical sequence.

2) No record was kept of the ultimate disposition of each traffic ticket.

3) Summonses issued by the police department for nontraffic ordinance violations were not prenumbered, and no records were maintained to account for the issuance and disposition of summonses.

E. The court charged a $5 LET fee.

F. The Court Clerk did not forward required records of convictions on traffic offenses to the MSHP.

Recommendation:

The city of Gideon Municipal Division:

A. Adequately segregate the duties of issuing traffic tickets from the duties of receiving fines and court costs and depositing fines and court costs into the city treasury. At a minimum, there should be a documented supervisory review of the numerical sequence of traffic tickets and reconciliations between receipts and deposits.

B.1. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances.

2. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the city.

C. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to amounts deposited.

D. Request the police department to assign all traffic tickets and summonses in numerical sequence and to account for the numerical sequence of all tickets and summonses assigned, issued, and the ultimate disposition.

E. Collect only $2 for the LET fee as allowed by state law.

F. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A,B, D&F. Not implemented. See MAR No. 1

C,& E. Implemented.

3. City of Lilbourn Municipal Division

A. The duties of receiving, recording, and depositing court receipts were not adequately segregated.

B. Receipt slips were not prenumbered and did not indicate the method of payment.

C. Cash bonds were not deposited into a bank account, but were held by the Court Clerk until disposition of the case.

D. A ledger of bonds received and disbursed was not maintained.

E. The municipal court allowed fines and court costs for certain offenses to be paid to the Court Clerk at the traffic violations bureau (TVB). The TVB was not established by a court order.

F. The municipal division did not include all cases and their disposition on the court docket.

G. The Court Clerk did not forward the required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP).

Recommendation:

The city of Lilbourn Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts.

B. Request the police department to issue prenumbered receipt slips for all monies received and indicate the method of payment on each receipt slip issued. The police department should also account for the numerical sequence of the receipt slips issued and reconcile total cash, check, and money orders received to amounts transmitted to the city.

C. Open a bank account for the deposit of all cash bonds and make subsequent disbursements of the bonds by check.

D. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled monthly to the bonds held in trust by the city.

E. Prepare a court order to authorize the establishment of a TVB, to designate a TVB clerk, to designate the offenses within the authority of the TVB clerk, and to prominently post a schedule of fines and costs for each offense.

F. Prepare and retain court dockets listing all cases commenced before the court and the disposition of those cases.

G. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A, D, &E. Not implemented. See MAR No. 2.

B& F. Implemented.

C. Partially implemented. Bonds are deposited into the bond account, however payments of fines and costs received prior to court is held by the Court Clerk until disposition of the case. Although not repeated in our current report, our recommendation remains as stated above.

G. Partially implemented. Minor errors were noted. Although not repeated in our current report, our recommendation remains as stated above.

4. City of Marston Municipal Division

A. It appeared that other city receipts were deposited into the city's general fund bank account in place of court monies and that the court monies which were not deposited were missing.

B. The duties of receiving, recording, and depositing court receipts were not adequately segregated.

C. Court receipts were commingled with other city monies upon collection. These receipts were not deposited intact or on a timely basis.

D. Receipt slips were not issued for all monies received.

E. Monthly listings of open items (liabilities) were not prepared.

F. The court collected Crime Victims' Compensation (CVC) fees and Law Enforcement Training (LET) fees on all traffic violations, including nonmoving traffic violations, and did not charge these fees on non-traffic ordinance violations.

G. Records were not maintained to account for the numerical sequence of tickets issued.

H. The police department issued summonses for non-traffic ordinance violations. These summonses were not prenumbered.

Recommendation:

The city of Marston Municipal Division:

A.1. Along with the city, review the situation and take the necessary actions to obtain restitution of the $6,013.

2. Request the city officials obtain an independent audit of the city.

B. Adequately segregate the duties of receiving, recording, and depositing court and city receipts.

C. Deposit all court receipts intact on a daily basis or when accumulated receipts exceed $100.

D. Issue prenumbered receipt slips for all monies received. In addition, deposits should be reconciled to receipt slips to ensure that all collections are deposited intact.

E. Prepare monthly listings of open items (liabilities) and reconcile these listings to the bank balance.

F. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

G. Work with the police department to ensure ticket books are used in numerical sequence and records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

H. Obtain and use prenumbered summonses for non-traffic ordinance violations and account for the numerical sequence of those summonses.

Status:

A.1. The situation was reviewed and the Court Clerk resigned; however, no restitution was made.

A.2., C, D, F.&G. Implemented.

B&E. Not implemented. See MAR No. 3.

H. Partially implemented. Summonses are prenumbered by the printer, however, a log is not maintained to account for their numerical sequence and ultimate disposition. See MAR No. 3.

5. City of Morehouse Municipal Division

A. Our review noted the following concerns related to receipts:

1) The Court Clerk and City Clerk did not issue receipt slips for some court monies received.

2) Receipts were deposited four or five times a month.

3) For six of 114 (5 percent) cases which we reviewed we were unable to trace the receipt of money to an entry on the monthly reports.

B. We noted the following concerns related to bonds:

1) A ledger or listing of bonds received and disbursed was not maintained.

2) Monthly listings of open items (liabilities) were not prepared.

C. Neither the police department nor the court maintained adequate records to account for all traffic tickets.

1) Records were not maintained to account for the numerical sequence of tickets issued. In addition, the municipal division did not record the disposition of voided or lost tickets, nor follow up on unused tickets not returned by the police officers.

2) The police department issued some traffic tickets which were not within the series of numbers assigned to the police department by the MSHP.

D. The court did not charge CVC fees on any cases.

E. The court collected LET fees on all traffic and nontraffic ordinance violations, including nonmoving traffic violations.

F. Some cases heard before the Municipal Judge were not listed on the court docket.

G. A Traffic Violations Bureau had not been established by a court order. In addition, a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense had not been prominently posted.

H. During our review we noted five of thirty-six (14 percent) cases in which the amount of fine and costs collected by the Court Clerk did not agree to the traffic violations bureau (TVB) schedule.

I. The court did not forward some required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP).

Recommendation:

The city of Morehouse Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received.

2. Deposit receipts daily or when accumulated receipts exceed $100.

3. Maintain accurate and consistent records which adequately document the receipt and deposit of all monies and any amounts which remain due on the cases.

B.1. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances.

2. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the city.

C.1. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

2. Obtain and use prenumbered traffic tickets within the series of numbers assigned to the police department by the MSHP for all offenses.

D. Collect the $5 CVC fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law. In addition, 95 percent of all CVC fees collected should be remitted to the state monthly as required by state law.

E. Collect the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

F. Record on the court docket all cases heard before the Municipal Judge.

G. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

H. Collect the proper amount of fines and court costs in accordance with the TVB schedule or in accordance with the Municipal Judge's order.

I. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A,C,F,
H&I. Implemented.

B. Not implemented. See MAR No. 4.

D&E. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases, including nonmoving traffic violations.

G. Partially implemented. A TVB has been established by court order, however the fine schedule has not been posted. Although not repeated in our current report, our recommendation remains as stated above.

6. City of New Madrid Municipal Division

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B. Our review noted the following concerns related to cash bonds:

1) Cash bonds were not deposited into a bank account, but were held by the Court Clerk until disposition of the case.

2) A ledger of bonds received and disbursed was not maintained.

C. Our review noted the following concerns related to receipts:

1) Receipts were deposited weekly.

2) Receipt slips issued by the court did not indicate the method of payments received.

D. Summonses issued by the police department for nontraffic ordinance violations were not prenumbered, and records were not maintained to account for the issuance and disposition of summonses.

E. Uncollectible accounts written off were not reviewed and approved by the Municipal Judge.

F. The court did not include all cases and their disposition on the court docket.

G. The court collected CVC and LET fees on all traffic and nontraffic ordinance violations, including nonmoving traffic violations.

H. The court allowed fines and court costs for certain offenses to be paid to the Court Clerk at the TVB. The TVB was not established by a court order. In addition, no schedule had been established which specified the offenses which could be paid at the TVB and the amount of fines and costs imposed for each offense.

I. The court did not forward some required records of convictions on traffic tickets to the MSHP.

Recommendation:

The city of New Madrid Municipal Division:

A. Adequately segregate the duties of receiving, recording, depositing, and reconciling court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Open a bank account for the deposit of all cash bonds, and make subsequent disbursements of the bonds by check.

2. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled monthly to the bonds held in trust by the court.

C.1. Deposit receipts daily or when accumulated receipts exceed $100.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

D. Request the police department to obtain and use prenumbered summonses and to account for the numerical sequence of all summonses assigned, issued, and the ultimate disposition.

E. Ensure that all accounts receivable which are written off as uncollectible are reviewed and approved by the Municipal Judge.

F. Ensure all cases are included on the court docket.

G. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

H. Prepare a court order to authorize the establishment of a TVB, to designate a TVB clerk, to designate the offenses within the authority of the TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense.

I. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A,C,E, F&I. Implemented.

B.2, D&H. Not implemented. See MAR No. 5.

B.1. Partially implemented. A bank account was not opened for the municipal division, however, bonds are now deposited into the city's general revenue account and refunds and other disbursements are made by city check. Although not repeated in our current report, our recommendation remains as stated above.

G. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases, including nonmoving traffic violations.

7. City of Parma Municipal Division

A. The duties of receiving, recording, and transmitting court receipts were not adequately segregated.

B. Our review noted the following concerns related to receipts:

1) The Court Clerk did not issue receipt slips for some court monies received.
2) Receipt slips issued by the City Marshall for the receipt of fines, court costs, and bonds were not prenumbered.

3) Receipt slips issued by the City Marshall did not indicate the method of payments received.

4) Receipts were transmitted to the City Treasurer once a month.

C. Our review noted the following concerns related to cash bonds:

1) Cash bonds were not deposited into a bank account, but were held by the Court Clerk until disposition of the case.

2) A ledger of bonds received and disbursed was not maintained.

D. The Court Clerk was not bonded.

E. Neither the police department nor the court maintained adequate records to account for all traffic tickets and summons/complaint forms. During our review, we noted the following:

1) Records were not maintained to account for the numerical sequence of tickets issued. In addition, the municipal division did not record the disposition of voided or lost tickets, nor follow up on unused tickets not returned by the police officers.

2) The police department used only one traffic ticket book at a time; however, the traffic ticket books were not always used in numerical sequence.

3) The police department issued summons/complaint forms for non-traffic ordinance violations. These complaint forms were not prenumbered.

F. The court allowed fines and court costs for certain offenses to be paid to the Court Clerk at the TVB. The TVB was not established by a court order.

G. Our review noted the following concerns related to the collection and disbursement of CVC fees and LET fees.

1) Our review noted CVC fees have not been remitted to the state DOR on a monthly basis as required by state law.

2) The court collected CVC fees and LET fees on all traffic and nontraffic ordinance violations, including nonmoving traffic violations.

H. We noted twelve of thirty-seven (32 percent) cases in which the amount of fine and costs collected by the Court Clerk did not agree to the TVB schedule.

I. The court did not forward some required records of convictions on traffic offenses to the MSHP.

Recommendation:

The city of Parma Municipal Division:

A. Adequately segregate the duties of receiving, recording, and transmitting court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals.

B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

2&3. Request the City Marshall to obtain and use prenumbered receipt slips and to indicate the method of payment on each receipt slip issued. In addition, the court should reconcile total cash, checks, and money orders received to transmittals to the city.

4. Transmit receipts to the city daily or when accumulated receipts exceed $100.

C.1. Open a bank account for the deposit of all cash bonds, and make subsequent disbursements of the bonds by check.

2. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled monthly to the bonds held in trust by the court.

D. Request the city to consider obtaining bond coverage for all individuals handling court monies.

E.1. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

2. Request the police department to use all traffic tickets in numerical sequence.
3. Obtain and use prenumbered complaint forms for non-traffic ordinance violations and account for the numerical sequence of those complaint forms.

F. Prepare a court order to authorize the establishment of a TVB, to designate a TVB clerk, to designate the offenses within the authority of the TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense.

G.1. Ensure all CVC fees are remitted to the state monthly as required by state law.

2. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

H. Collect the proper amount of fines and court costs in accordance with the TVB schedule or in accordance with the Municipal Judge's order.

I. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A,C.2.,
E.1,F,
G.1&H.Not implemented. See MAR No. 6.

B,C.1,
D,E.2.
&I. Implemented.

E.3. Partially implemented. Complaint forms are prenumbered, however, there are no procedures to account for the numerical sequence of these forms. See MAR No. 6.

G.2. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases, including nonmoving traffic violations.

8. City of Portageville Municipal Division

A. Complaint forms issued by the police department for nontraffic ordinance violations were not prenumbered, and records were not maintained to account for the issuance and disposition of these complaint forms.

B. The Court Clerk and all dispatchers collected fines, court costs, and bonds. The dispatchers were not bonded.

C. The municipal division charged court costs of $12, CVC fees of $5, and LET fees of $2 on all cases heard before the court; however, for cases in which the individual received more than one ticket, court costs were charged only once, while LET and CVC fees were charged on each ticket.

Recommendation:

The city of Portageville Municipal Division:

A. Request the police department to obtain and use prenumbered complaint forms and to account for the numerical sequence of all complaint forms assigned, issued, and the ultimate disposition.

B. Request the city to consider obtaining bond coverage for all individuals handling court monies.

C. Determine whether an individual ticket or a group of tickets is considered a court proceeding. Court costs, LET fees, and CVC fees should then be consistently charged on each court proceeding.

Status:

A. Partially implemented. The police department now issues prenumbered summonses for all municipal violations, however, records are not maintained to account for the numerical sequence of the summonses. Although not repeated in our current report, our recommendations remain as stated above.

B. Not implemented. See MAR No. 7.

C. Implemented.

9. City of Risco Municipal Division

A. Neither the police department nor the court maintained adequate records to account for all traffic tickets.

B. We noted the following concerns related to bonds:

1) A ledger of bonds received and disbursed was not maintained.

2) Monthly listings of open items (liabilities) were not prepared.

C. Receipt slips issued by the Police Chief and the Court Clerk did not indicate the method of payment received.

D. Our review noted the following concerns related to the collection and disbursement of CVC fees and LET fees:

1) The court charged a $5 LET fee on all municipal violations.

2) The court did not charge CVC fees or LET fees on some nontraffic ordinance violations.

3) Our review noted CVC fees had not been remitted to the state DOR on a monthly basis as required by state law.

E. The court did not forward some required records of convictions on traffic offenses to the MSHP.

Recommendation:

The city of Risco Municipal Division:

A. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

B.1. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances.

2. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the city.

C. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to amounts deposited into the city treasury.

D.1. Collect only $2 for the LET fee as allowed by state law.

2. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

3. Ensure all CVC fees are remitted to the state monthly as required by state law.

E. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

Implemented.

10. City of Tallapoosa Municipal Division

A. The duties of receiving, recording, and depositing court receipts were not adequately segregated.

B. Our review noted the following concerns related to receipts:

1) Receipt slips were not prenumbered.

2) Receipt slips did not indicate the method of payments received.

3) The Court Clerk did not issue receipt slips for some court monies received.

C. Neither the police department nor the court maintained adequate records to account for all traffic tickets and complaint forms.

D. Some cases heard before the Municipal Judge were not listed on the court docket.

E. The court did not file with the city a monthly report of all cases heard in court.

F. The court collected court costs of $17 on all court cases.

G. Although the court costs appeared to include CVC fees, the court did not knowingly charge CVC fees on any cases.

H. The TVB was not established by a court order.

I. The Court Clerk did not forward required records of convictions on traffic offenses to the MSHP.

Recommendation:

The city of Tallapoosa Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

3. Issue prenumbered receipts for all monies received.

C. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets and complaint forms. A system should also be developed to account for the ultimate disposition of all tickets and complaint forms.

D. Record on the court docket all cases heard before the Municipal Judge.

E. Prepare monthly reports of court actions and file these in accordance with state law.

F. Collect court costs of only $12 as allowed by state law.

G. Collect the $5 CVC fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with

state law. In addition, 95 percent of all CVC fees collected should be remitted to the state monthly as required by state law.

H. Prepare a court order to authorize the establishment of a TVB, to designate a TVB clerk, to designate the offenses within the authority of the TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense.

I. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A,B,G, & I. Not implemented. See MAR No. 8.

C,D,E, F&H. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY AND ORGANIZATION

Organization

The Thirty-Fourth Judicial Circuit is composed of New Madrid and Pemiscot counties. The Honorable Fred W. Copeland serves as Presiding Judge. There are twenty divisions within the Thirty-Fourth Judicial Circuit. Twelve of these divisions are in New Madrid County and ten of these divisions are included in this report. The municipal divisions for the city of Howardville and the city of Matthews are reported on separately. The municipal divisions in Pemiscot County are also reported on separately.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating expenses and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Canalou

   Organization

   The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are held by the Court Clerk pending disposition. Court is held once a month if tickets are issued. A TVB has been established to receive payment of fines and court costs at times other than during court.

   Personnel

Municipal Judge*	Charles Smith
City Clerk/Court Clerk**	Joy Russom

   *Gloriann Chaney served as Municipal Judge from April 1994 to 1998.
   **Prior to October 1997, Iris Drake served as Court Clerk.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	4	1

2. City of Gideon

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Inga Ladd
Court Clerk	Michelle Grissom

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	111	116

3. City of Lilbourn

Organization

The City Collector serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are held in a separate bond account. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Richard Kolwyck
City Collector/Court Clerk	Yvonne Morgan

*Prior to April 1998, Terry Hawkins served as Municipal Judge.

Caseload Information

	Year Ended June 30,	
	1998	1997

Number of cases filed	230	174

4. City of Marston

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited in a municipal division bank account. Fines and court costs are periodically transmitted by check to the city and state. Bond monies are held in the division's bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Roy Lovins
City Clerk/Court Clerk**	Bridget Fortner

*Prior to April 1996, John Brewer served as Municipal Judge.
**Prior to December 1996, Rosie Sweatt served as Court Clerk.

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases	149	98

5. City of Morehouse

Organization

The Court Clerk is responsible for recording transactions as well as handling collections. Fines, court costs, and bonds are deposited directly into the city treasury. Bond monies are held by the Court Clerk in a separate bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Glen Greene
Court Clerk**	Angela Duncan

*Prior to October 1997, Rick Kreitemeyer served as Municipal Judge.
**Prior to October 1996, Terri Hoskins served as Court Clerk.

Caseload Information

Years Ended December 31,

	1997	1996
Number of cases filed	217	191

6. City of New Madrid

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Bond monies are held in the city treasury pending disposition. Court is held once a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	William E. Boyd
City Clerk/Court Clerk	Shelby Desmore

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	599	744

7. City of Parma

Organization

The City Collector serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited in a municipal division bank account. Fines and court costs are periodically transmitted by check to the city. Bond monies are held in the division's bank account pending disposition. Court is held once a month. Although it has not been formally established, a TVB receives payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Phillip Santi
City Collector/Court Clerk	Lusendy Gaddy

*Prior to April 1996, Terry Hawkins served as Municipal Judge.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	331	423

8. City of Portageville

Organization

The Municipal Judge, assisted by the Court Clerk, is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for fines and court costs. Amounts collected are transmitted by check to the city treasury once a month. Bond monies are held in a municipal division bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Bill Foster
Court Clerk	Betty Wolfram

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	387	565

9. City of Risco

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Norman Swafford
City Clerk/Court Clerk	Catheryn Odle

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	14	20

10. City of Tallapoosa

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

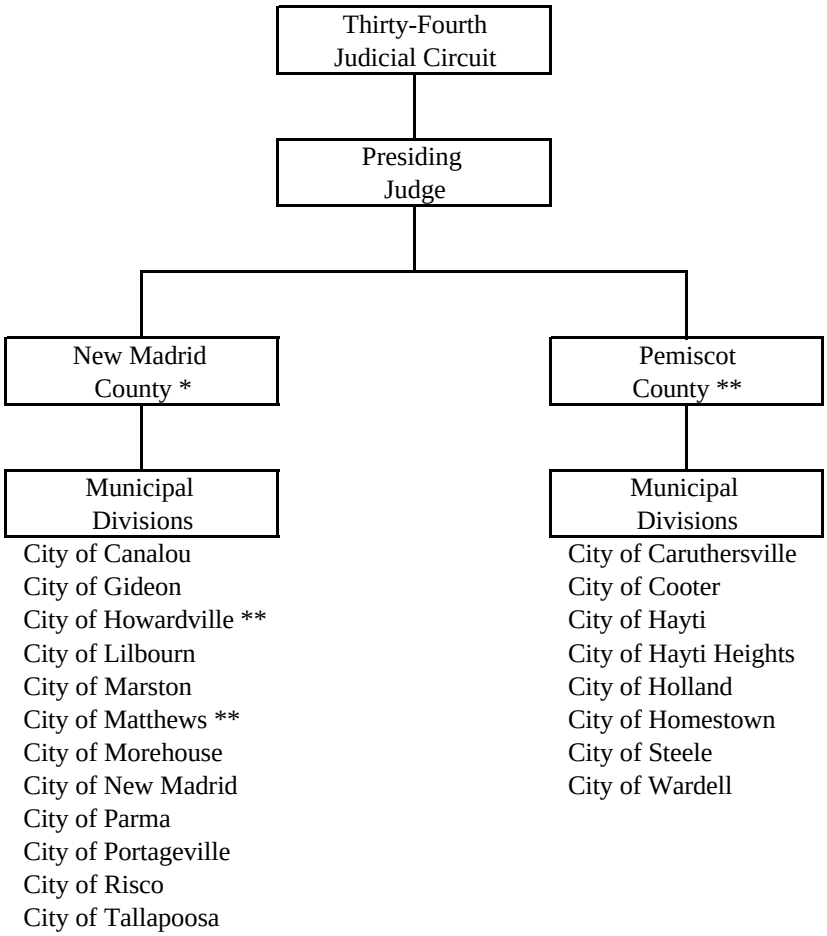
Municipal Judge*	Philip Santi
City Clerk/Court Clerk	Donna Jacobs

*Prior to September 1996, there had not been a Municipal Judge since October 1995.

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	47	8

THIRTY-FOURTH JUDICIAL CIRCUIT
ORGANIZATION CHART



* Included in this report.
**Reported on separately.

* * * * *

AUDIT REPORT

DEPARTMENT OF REVENUE

DIVISION OF TAXATION AND COLLECTION

SALES AND USE TAX

TWO YEARS ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-44
July 19, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

The following problems were discovered as a result of an audit our office conducted on the Missouri Department of Revenue's Division of Taxation and Collection. The findings below center on the state's sales and use tax paid by businesses which operate in Missouri. Our audit identifies certain management practices which we believe could be improved. ----------

Sales tax refunds have grown by approximately 400 percent during the last eight years. This alarming increase suggests the reasons for refunds must be further evaluated. Some refunds may be due to overpayments by businesses, while other refunds are due to over collection of sales taxes from customers by businesses. Accordingly, I am instructing that a Special Review of sales tax refunds be conducted.

Our testing showed some tax refunds had no indication in Department of Revenue files that the vendor would return the sales tax or related interest to the customer. In addition, there were other sales tax refund cases where the businesses indicated the refund would be returned to the original customer. For these cases, there was no documentation available from the Department of Revenue to verify these refunds ever made it back to the customer. If these refunds are not returned to the customer, the refunded sales tax and related interest becomes a windfall for the businesses requesting the refunds.

The Department of Revenue has pursued legislation in recent years that would require sales tax overpayments be returned to the customers who actually overpaid these taxes, when applicable. Unfortunately, these proposals have not passed the General Assembly. The State Auditor recommends the Department continue to pursue statutory revisions that would ensure sales tax refunds and related interest be returned to the original customer, when appropriate.

As of June 30, 1998, department records indicated sales and use tax overpayments held by the state for Missouri businesses totaled over $35 million. Overpayments of sales and use taxes are the result of overpaid returns, amended returns, or audited returns. Businesses which overpay can request a refund or overpayments may be applied as credits on future taxes due.

Overpayments by closed businesses which did not file for a refund within the three year filing period totaled $4,414,451. There will not be future taxes due to apply overpayments against. As a result, the department continues to track these overpayments with little progress towards resolution. This issue needs to be resolved.

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX

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State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Mel Carnahan, Governor
and
Quentin Wilson, Director
Department of Revenue
and
Carol Fischer, Director
Division of Taxation and Collection

We have audited the accompanying special-purpose financial statements of the various funds of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection for the years ended June 30, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts of and distributions to the various state funds; the receipts, distributions, and changes in cash and investments of the various local funds; and the additions, deductions, and changes in cash and investments of the various custodial accounts and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the agency.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts of and distributions to the various state funds; the

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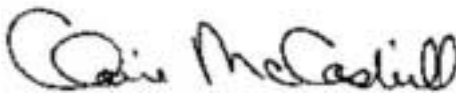
receipts, distributions, and changes in cash and investments of the various local funds; and the additions, deductions, and changes in cash and investments of the various custodial accounts as of and for the years ended June 30, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

The Department of Revenue has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the department is or will become year 2000-compliant, that the department's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the department does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 13, 1998, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

November 13, 1998 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Mel Carnahan, Governor
and
Quentin Wilson, Director
Department of Revenue
and
Carol Fischer, Director
Division of Taxation and Collection

We have audited the special-purpose financial statements of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated November 13, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection, we considered the agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and

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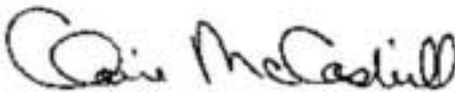
not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Department of Revenue, Division of Taxation and Collection and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

November 13, 1998 (fieldwork completion date)

Financial Statements

Exhibit A-1

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS AND DISTRIBUTIONS - STATE FUNDS
YEAR ENDED JUNE 30, 1998

	General Revenue Fund-State	Conservation Commission Fund	Department of Revenue Information Fund	Motor Fuel Tax Fund	Parks Sales Tax Fund	Soil and Water Sales Tax Fund	School District Trust Fund	Total (Memorandum Only)
RECEIPTS								
Sales and use tax	$ 1,556,723,483	68,752,549	5,490	0	27,499,523	27,499,523	546,569,469	2,227,050,037
Motor vehicles sales tax	94,478,967	7,872,973	42,619	139,727,526	3,149,189	3,149,190	31,492,790	279,913,254
Total Receipts	1,651,202,450	76,625,522	48,109	139,727,526	30,648,712	30,648,713	578,062,259	2,506,963,291
DISTRIBUTIONS								
Transmitted to State Treasurer	1,651,202,450	76,625,522	48,109	139,727,526	30,648,712	30,648,713	578,062,259	2,506,963,291
Total Distributions	1,651,202,450	76,625,522	48,109	139,727,526	30,648,712	30,648,713	578,062,259	2,506,963,291
RECEIPTS OVER (UNDER) DISTRIBUTIONS	$ 0	0	0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS AND DISTRIBUTIONS - STATE FUNDS
YEAR ENDED JUNE 30, 1997

	General Revenue Fund-State	Conservation Commission Fund	Department of Revenue Information Fund	Motor Fuel Tax Fund	Parks Sales Tax Fund	Soil and Water Sales Tax Fund	School District Trust Fund	Total (Memorandum Only)
RECEIPTS								
Sales and use tax	$ 1,619,847,402	66,527,557	5,876	0	26,609,507	26,609,507	529,116,642	2,268,716,491
Motor vehicle sales tax	85,451,303	7,120,739	35,803	126,312,805	2,848,295	2,848,296	28,483,768	253,101,009
Total Receipts	1,705,298,705	73,648,296	41,679	126,312,805	29,457,802	29,457,803	557,600,410	2,521,817,500
DISTRIBUTIONS								
Transmitted to State Treasurer	1,705,298,705	73,648,296	41,679	126,312,805	29,457,802	29,457,803	557,600,410	2,521,817,500
Total Distributions	1,705,298,705	73,648,296	41,679	126,312,805	29,457,802	29,457,803	557,600,410	2,521,817,500
RECEIPTS OVER (UNDER) DISTRIIBUTIONS	$ 0	0	0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS, DISTRIBUTIONS, AND CHANGES IN CASH AND INVESTMENTS - LOCAL FUNDS (1)
YEAR ENDED JUNE 30, 1998

	City Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Local Motor Vehicle Sales Tax Fund	Local Use Tax Fund	Local Option Use Tax Fund	Total (Memorandum Only)
RECEIPTS										
Sales tax	$ 341,620,452	204,856,830	123,790,322	156,971,533	161,054,413	138,382,082	146,163,545	0	0	1,272,839,177
Use tax	0	0	0	0	0	0	0	0	25,366,867	25,366,867
Reimbursements/withholdings from political subdivisions	0	0	0	0	0	0	0	35,185,744	0	35,185,744
Interest income	1,040,094	629,439	343,387	602,048	526,647	458,509	403	550,761	70,640	4,221,928
Transfers in/out (Note 2)	34,298,516	22,749,402	15,323,045	26,965,112	30,734,305	13,510,156	-143,603,456	0	22,920	0
Total Receipts	376,959,062	228,235,671	139,456,754	184,538,693	192,315,365	152,350,747	2,560,492	35,736,505	25,460,427	1,337,613,716
DISTRIBUTIONS										
Political subdivisions	377,360,102	228,489,716	139,861,742	184,289,014	189,743,438	150,183,155	0	0	25,237,122	1,295,164,289
General Revenue Fund - State	3,811,430	2,307,809	1,412,642	1,861,368	1,797,786	1,516,894	0	0	254,921	12,962,850
Transfers to General Revenue Fund - State	0	0	0	0	0	0	1,395,229	35,890,420	0	37,285,649
Total Distributions	381,171,532	230,797,525	141,274,384	186,150,382	191,541,224	151,700,049	1,395,229	35,890,420	25,492,043	1,345,412,788
RECEIPTS OVER (UNDER) DISTRIBUTIONS	-4,212,470	-2,561,854	-1,817,630	-1,611,689	774,141	650,698	1,165,263	-153,915	-31,616	-7,799,072
CASH AND INVESTMENTS, JULY 1	40,033,249	24,836,560	15,702,227	19,349,775	19,242,535	15,517,557	2,486,827	9,951,691	1,953,701	149,074,122
CASH AND INVESTMENTS, JUNE 30	$ 35,820,779	22,274,706	13,884,597	17,738,086	20,016,676	16,168,255	3,652,090	9,797,776	1,922,085	141,275,050

FOOTNOTE:
(1) Held by the department in trust.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS, DISTRIBUTIONS, AND CHANGES IN CASH AND INVESTMENTS - LOCAL FUNDS (1)
YEAR ENDED JUNE 30, 1997

	City Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Local Motor Vehicle Sales Tax Fund	Local Use Tax Fund	Local Option Use Tax Fund	Total (Memorandum Only)
RECEIPTS										
Sales tax	$ 332,306,634	196,908,760	121,157,224	151,832,034	139,457,832	116,646,135	126,846,627	0	0	1,185,155,246
Use tax	0	0	0	0	0	0	0	-1,170,020	12,090,838	10,920,818
Interest	1,020,955	609,832	395,834	494,691	460,567	334,619	179,973	559,569	29,009	4,085,049
Transfers-in/out (Note 2)	31,851,270	20,783,930	13,997,185	24,731,572	25,815,875	10,579,173	-127,947,276	0	2,207	-186,064
Total Receipts	365,178,859	218,302,522	135,550,243	177,058,297	165,734,274	127,559,927	-920,676	-610,451	12,122,054	1,199,975,049
DISTRIBUTIONS										
Political subdivisions	355,063,920	211,430,271	130,959,023	172,394,673	159,765,912	121,406,493	0	0	10,066,669	1,161,086,961
General Revenue Fund- State	3,586,505	2,135,659	1,322,819	1,741,360	1,613,797	1,226,329	0	0	101,684	11,728,153
Refunds To taxpayers	0	0	0	0	0	0	994,738	0	0	994,738
Total Distributions	358,650,425	213,565,930	132,281,842	174,136,033	161,379,709	122,632,822	994,738	0	10,168,353	1,173,809,852
RECEIPTS OVER (UNDER) DISTRIBUTIONS	6,528,434	4,736,592	3,268,401	2,922,264	4,354,565	4,927,105	-1,915,414	-610,451	1,953,701	26,165,197
CASH AND INVESTMENTS, JULY 1	33,504,815	20,099,968	12,433,826	16,427,511	14,887,970	10,590,452	4,402,241	10,562,142	0	122,908,925
CASH AND INVESTMENTS, JUNE 30	$ 40,033,249	24,836,560	15,702,227	19,349,775	19,242,535	15,517,557	2,486,827	9,951,691	1,953,701	149,074,122

FOOTNOTE:
(1) Held by the department in trust.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-1

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS-CUSTODIAL ACCOUNTS
YEAR ENDED JUNE 30, 1998

	Motor Vehicle Protest Account (1)	Protested Sales Tax General Revenue Account (2)	Protested Sales Tax Miscellaneous Account (1)	Sales Tax Bond Account (2)	St. Louis Special Escrow Account (1)	Suspense Holding (Sales Tax) Account (1)	TIF Districts Account (1)	Total (Memorandum Only)
ADDITIONS								
Miscellaneous tax collections	$ 0	0	0	0	1,854	1,237,637,617	476,710	1,238,116,181
Protested tax collections	9,425	9,517,261	6,165,377	0	0	0	0	15,692,063
Bond collections	0	0	0	3,955,370	0	0	0	3,955,370
Interest	219	240,120	120,423	0	3,953	604,977	17,452	987,144
Total Additions	9,644	9,757,381	6,285,800	3,955,370	5,807	1,238,242,594	494,162	1,258,750,758
DEDUCTIONS								
Miscellaneous taxes and interest	0	0	0	0	920	1,240,632,739	0	1,240,633,659
Protested taxes and interest	8,624	291,837	265,624	0	0	0	0	566,085
Bonds and interest	0	0	0	4,605,590	0	0	0	4,605,590
Total Deductions	8,624	291,837	265,624	4,605,590	920	1,240,632,739	0	1,245,805,334
ADDITIONS OVER (UNDER) DEDUCTIONS	1,020	9,465,544	6,020,176	-650,220	4,887	-2,390,145	494,162	12,945,424
CASH AND INVESTMENTS, JULY 1	3,259	699,157	456,321	31,161,178	75,353	9,561,248	145,572	42,102,088
CASH AND INVESTMENTS, JUNE 30	$ 4,279	10,164,701	6,476,497	30,510,958	80,240	7,171,103	639,734	55,047,512

FOOTNOTES:
(1) Held by the department in trust.
(2) Held by the state treasurer in trust.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS - CUSTODIAL ACCOUNTS
YEAR ENDED JUNE 30, 1997

	City of Crestwood Holding Account (1)	City of Franklin Holding Account (1)	Motor Vehicle Protest Account (1)	Protested Sales Tax General Revenue Account (2)	Protested Sales Tax Miscellaneous Account (1)	St. Louis County Cities Holding Account (1)	Sales Tax Bond Account (2)	St. Louis Special Escrow Account (1)	Suspense Holding (Sales Tax) Account (1)	T. I F. Districts Account (1)	Total (Memorandum Only)
ADDITIONS											
Miscellaneous tax collections	$ 0	5,555	0	0	0	0	0	896	1,197,796,549	145,631	1,197,948,631
Protested tax collections	0	0	3,263	741,273	449,036	0	0	0	0	0	1,193,572
Bond collections	0	0	0	0	0	0	5,038,172	0	0	0	5,038,172
Interest	3	29	-4	31,210	45,456	13	0	3,552	771,589	1,138	852,986
Total Additions	3	5,584	3,259	772,483	494,492	13	5,038,172	4,448	1,198,568,138	146,769	1,205,033,361
DEDUCTIONS											
Miscellaneous taxes and interest	75	7,218	0	0	0	230	0	124	1,192,014,829	1,197	1,192,023,673
Protested taxes and interest	0	0	0	1,426,718	1,498,949	0	0	0	0	0	2,925,667
Bonds and interest	0	0	0	0	0	0	5,669,894	0	0	0	5,669,894
Total Deductions	75	7,218	0	1,426,718	1,498,949	230	5,669,894	124	1,192,014,829	1,197	1,200,619,234
ADDITIONS OVER (UNDER) DEDUCTIONS	-72	-1,634	3,259	-654,235	-1,004,457	-217	-631,722	4,324	6,553,309	145,572	4,414,127
CASH AND INVESTMENTS, JULY 1	72	1,634	0	1,353,392	1,460,778	217	31,792,900	71,029	3,007,939	0	37,687,961
CASH AND INVESTMENTS, JUNE 30	$ 0	0	3,259	699,157	456,321	0	31,161,178	75,353	9,561,248	145,572	42,102,088

FOOTNOTES:
(1) Held by the department in trust.
(2) Held by the state treasurer in trust.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Basis of Presentation

These special-purpose financial statements relating to sales and use tax collections of the Department of Revenue, Division of Taxation and Collection present the receipts of and distributions to the various state funds as reflected on Exhibit A; the receipts, distributions, and changes in cash and investments of the various local funds as reflected on Exhibit B; and the additions, deductions, and changes in cash and investments of the various custodial accounts as reflected on Exhibit C.

The Department of Revenue is a component unit of the State of Missouri and, as such, prepares a Comprehensive Annual Financial Report (CAFR). The department's CAFR is intended to present the financial position and results of operations of the Department of Revenue as measured by the financial activity of the various funds. The special-purpose financial statements presented in this financial report are supporting schedules for the department's CAFR and do not contain all financial data contained in the CAFR. Therefore, users of these financial statements are advised to refer to the department's CAFR for the financial position and results of operations which the department intends to be prepared in accordance generally accepted accounting principles.

The "Total (Memorandum Only)" column shown on these special-purpose financial statements is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with the reference to the details of each fund.

Appropriations for the operation of the Division of Taxation and Collection are maintained by the Department of Revenue, Division of Administration and therefore, operating expenditures are not presented.

General fixed assets utilized by the Division of Taxation and Collection are included in the accounts of the Department of Revenue, Division of Administration and therefore, no statements of general fixed assets are presented.

B. Basis of Accounting

These special-purpose financial statements are presented on a cash basis of accounting and, as such, are prepared in conformity with an other comprehensive

basis of accounting as described in the AICPA's Statement on Auditing Standards Number 62 which addresses special reports.

The statements of receipts and distributions for state funds present receipts when received and distributions when paid to the various state funds. The statements of receipts and distributions for local funds present receipts when received and distributions when paid to the various state and local funds, local political subdivisions, and taxpayers except for sales tax withholdings from political subdivisions for their share of the local use tax refund liability. Such withholdings are credited to the Local Use Tax Fund to be distributed as refunds to taxpayers. However, these amounts are included as distributions to political subdivisions in the financial statements. The statements of additions and deductions for custodial accounts present additions when received and deductions when paid to various state and local funds, local political subdivisions, and taxpayers.

C. Fiscal Authority and Responsibility

The Department of Revenue, Division of Taxation and Collection administers transactions in the funds and accounts listed below. The State Treasurer, as fund custodian, and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly for all state funds.

1) General Revenue Fund- State: This state fund, as authorized by Section 144.700, RSMo, receives three-fourths of the collections from the four percent state sales and use tax. This fund also receives payments from common carriers in interstate air transportation, as authorized by Section 144.807, RSMo, and receives three-eighths of the collections from the four percent motor vehicle sales tax as authorized by Section 144.070, RSMo.

2) Conservation Commission Fund: This state fund, as authorized by Article IV, Section 43(a), Constitution of Missouri, receives the collections of the one-eighth percent state sales and use tax and motor vehicle sales tax.

3) Department of Revenue Information Fund: This state fund, as authorized by Section 32.067, RSMo, receives collections from individuals, businesses, and governmental units for the dissemination of information and publications.

4) Motor Fuel Tax Fund: This state fund, as authorized by Section 144.070, RSMo, and Article IV, Section 30(b), Constitution of Missouri, receives fifty percent of the collections of the four percent state sales tax on the leasing of motor vehicles and motor vehicle sales tax.

5) Parks Sales Tax Fund: This state fund, as authorized by Article IV, Sections 47(a) and 47(b), Constitution of Missouri, receives fifty percent of the

collections of the one-tenth percent state sales and use tax and motor vehicle sales tax.

6) Soil and Water Sales Tax Fund: This state fund, as authorized by Article IV, Sections 47(a) and 47(b), Constitution of Missouri, receives fifty percent of the collections of the one-tenth percent state sales and use tax and motor vehicle sales tax.

7) School District Trust Fund: This state fund, as authorized by Section 144.701, RSMo, receives one-fourth of the collections from the four percent state sales and use tax and one-eighth of the collections from the four percent motor vehicle sales tax.

The Department of Revenue has the sole responsibility for maintaining and disbursing fund resources for the following local funds:

1) City Sales Tax Trust Fund: This local fund, as authorized by Section 94.550, RSMo, receives collections generated from city sales taxes and subsequently distributes the taxes and interest to the cities.

2) Public Mass Transportation Sales Tax Trust Funds: These local funds, as authorized by Sections 92.410, 94.625, and 94.725, RSMo, receive collections generated from public mass transportation sales taxes and subsequently distribute the taxes and interest to the public mass transportation systems.

3) St. Louis County Sales Tax Trust Fund: This local fund, as authorized by Section 66.620, RSMo, receives collections generated from St. Louis County sales taxes. The taxes and interest are distributed to St. Louis County in accordance with Section 66.620 (3), RSMo, to be disbursed by St. Louis County to the appropriate cities within the county.

4) County Sales Tax Trust Fund: This local fund, as authorized by Section 67.525, RSMo, receives collections generated from county sales taxes and subsequently distributes the taxes and interest to the counties.

5) County Alternate Sales Tax Trust Fund: This local fund, as authorized by Section 67.712, RSMo, receives collections generated by county capital improvement sales taxes as authorized by Section 67.700, RSMo; tourism sales taxes as authorized by Section 67.671, RSMo; and various other sales taxes authorized by state law, and subsequently distributes the taxes and interest to the counties. The transactions of the County Construction Sales Tax Trust Fund, as authorized by Section 67.570, RSMo, the County Correctional Facility Sales Tax Trust Fund, as authorized by Section 67.594,

RSMo, and the County Law Enforcement Sales Tax Trust Fund, as authorized by Section 67.582. RSMo, are also accounted for in this fund.

6) City Alternate Sales Tax Trust Fund: This local fund, as authorized by Section 92.073, RSMo, receives collections generated from an additional City of St. Louis sales tax, and subsequently, distributes the taxes and interest to the City of St. Louis. The collections and subsequent distributions of the city capital improvements sales tax, as authorized by Section 94.577, RSMo, are also accounted for in this fund.

7) Local Motor Vehicle Sales Tax Fund: This local fund is a depository collection account for the local sales taxes collected by the department at the motor vehicle fee and branch offices. The department transfers this money to the Local Sales Tax Fund for distribution to the various political subdivisions.

8) Local Use Tax Fund: This local fund, as authorized by Section 144.748, RSMo, received collections generated by an additional one and one-half percent use tax upon all transactions which were subject to the taxes imposed under Sections 144.600 to 144.745, RSMo.

   Local Use Tax was declared unconstitutional by the Missouri Supreme Court in fiscal year 1996. The Department of Revenue began refunding local use tax in fiscal year 1998.

9) Local Option Use Tax Fund: This local fund, as authorized by Section 144.759 RSMO, receives collections generated by a use tax based on the local sales tax in effect, upon all transactions subject to taxes imposed under Sections 144.600 to 144.745 RSMo. Net taxes and interest are subsequently distributed to the counties and cities.

The Department of Revenue has shared responsibility with the State Treasurer for maintaining and disbursing resources for the following custodial accounts as explained in further detail:

1) Motor Vehicle Protest Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Motor Vehicle Protest Account and actual custody of account resources ultimately rests with the department.

   The Motor Vehicle Protest Account, as authorized by Section 144.700, RSMo, receives motor vehicle sales and use tax paid under protest. Protest proceeds are deposited into an interest-bearing bank account.

Protested motor vehicle sales and use tax and the related earned interest are either returned to the taxpayer or remitted to the state and the appropriate political subdivisions based upon decisions reached by the department, the Administrative Hearing Commission, or various courts.

2) Protested Sales Tax Accounts: The Department of Revenue has been charged with the responsibility of administering transactions in the protested sales tax accounts. The Protested Sales Tax General Revenue Account, as authorized by Section 144.700, RSMo, receives sales taxes paid under protest. The three percent General Revenue portion of state sales taxes paid under protest are transferred to the state's General Revenue Fund, which is in the custody of the state treasurer. All other state and local sales taxes paid under protest are deposited into an interest-bearing bank account (or miscellaneous account), which is in the custody of the Department of Revenue. Protested sales taxes and the related earned interest are either returned to the taxpayer or remitted to the state and the appropriate political subdivisions based upon decisions reached by the department, the Administrative Hearing Commission, or various courts.

3) Sales Tax Bond Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Sales Tax Bond Account.

The Sales Tax Bond Account, as authorized by Section 144.087, RSMo, receives cash bonds posted by taxpayers. All bond collections are deposited into the state's General Revenue Fund, which is in the custody of the state treasurer. Cash bonds and related interest at the rate of five and one-fourth percent are refunded to the taxpayers after two years if they are determined to have satisfactory sales tax compliance and if their bond was posted before January 1, 1984. If the bond was posted on or after January 1, 1984, the Attorney General has ruled that no interest should be refunded. In the event of uncollectible sales tax liabilities, the bonds and related interest, if any, are forfeited to the Department of Revenue which subsequently distributes the monies to the State and the appropriate political subdivisions.

4) St. Louis Special Escrow Account: The St. Louis Special Escrow Account is an interest-bearing bank account where the department has escrowed funds to cover claims for refund of a 3/8 percent sales tax levied by the City of St. Louis.

The Missouri Supreme Court [ACI Plastics, Inc. vs. City of St. Louis, Citation No. 724s.w.2D513 (Mo. Banc 1987)] ruled the additional 3/8 percent sales tax was not legally levied during the period July 1, 1984 through March 17, 1987.

The amount was withheld from monthly distributions to the City of St. Louis during the year ended June 30, 1990, and placed in this account under the custody of the Director of Revenue pending resolution. The Department of Revenue has determined that this account will be closed after a six month period of inactivity.

5) Suspense Holding (Sales Tax) Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Suspense Holding Account and actual custody of account resources ultimately rests with the department.

The Suspense Holding Account is an interest-bearing bank account where unidentified sales and use tax receipts are temporarily deposited when they are unable to be posted to the automated Missouri Integrated Tax System (MITS). When these receipts become identifiable, they are posted to MITS and are then transferred out of the Suspense Holding Account into the appropriate sales tax funds.

6) T.I.F. Districts Account: The Department of Revenue has been charged with the responsibility of administering transactions in the T.I.F. Districts Account. The T.I.F. Districts Account is an interest-bearing bank account where the department has escrowed funds pending a decision in the Circuit Court of St. Louis County, Court Case No. 692403. Following this court decision, the escrowed funds will be distributed and the account will be closed.

7) City of Crestwood Holding Account: The Department of Revenue has been charged with the responsibility of administering transactions in the City of Crestwood Holding Account.

The City of Crestwood Holding Account is an interest-bearing bank account where the department has escrowed funds for the City of Crestwood because the Circuit Court for the County of Cole, Case No. CV194-262cc, ruled that all money collected under Section 94.577, RSMo, city capital improvements tax, for the City of Crestwood, shall be held by the Department of Revenue. In August 1995, the monies were disbursed in accordance with a July 1995 court order and the account was closed during fiscal year 1997.

8) City of Franklin Holding Account: The city of Franklin Holding Account is an interest-bearing bank account where the department has escrowed funds pending a court decision in a case involving the City of Franklin. The department's General Counsel determined that the collection was legal. The monies were distributed and the account was closed during fiscal year 1997.

9) St. Louis County (SLC) Cities Holding Account: The SLC cities holding account is an interest-bearing bank account where the department has escrowed funds pending a court decision in a case involving the City of Crestwood. Following this court decision, the escrowed funds were distributed and the account was closed during fiscal year 1997.

D. Cash and Investments

Cash and investments consist of the following:

	Year Ended June 30,	
	1998	1997
Held by the state treasurer	$ 40,675,659	31,860,335
Held by the department	155,646,903	159,315,875
Total	$ 196,322,562	191,176,210

All cash and investments designated as being held by the state treasurer in trust are in General Revenue Fund-State and are pooled and invested by the state treasurer.

Other cash and investments held by the department includes bank accounts and all short-term investments such as repurchase agreements and federal agency securities. These are stated at cost which approximate market. Cash resources are combined to form a pool for investment purposes. Investments are managed by the department's investing agent in accordance with an agreement entered into in July 1994. (A new banking contract became effective July 1, 1998.) Interest income earned as a result of pooling is distributed to the appropriate accounts based on each account's equity in the pooled investments.

Department of Revenue Administrative Rule 12 CAR 10-43.020 authorizes the department to invest in the following instruments: U.S. Treasury Bills, Time Deposits, Repurchase Agreements, Federal National Mortgage Association Securities, Student Loan Marketing Association Securities, Federal Home Loan Bank Securities and Federal Home Loan Mortgage Corporation Securities.

All deposits are insured by the FDIC up to $100,000; the balance is secured by collateral pledged to the Department and held by the Department's agent in the Department's name. All investments in repurchase agreements and securities are one hundred percent secured by the underlying Federal Government Securities. The investing agent guarantees no loss of principal or interest to the department.

At June 30, 1998, cash and investments held by the department consisted of:

Description		Book Balance	Bank Balance
Cash	$	4,913,000	587,501
Total Cash		4,913,000	587,501

Investments		Carrying Value	Market Value
Repurchase agreements-			
Securities held by the Department's agent in the Department's name	$	96,466,003	96,486,533
Agency securities-			
Securities held by the Department's agent in the Department's name	$	54,267,900	54,418,644
Total Investments		150,733,903	150,905,177
Total Cash and Investments	$	155,646,903	151,492,678

At June 30, 1997, cash and investments held by the department consisted of:

Description		Book Balance	Bank Balance
Cash	$	3,263,133	116,089
Total Cash	$	3,263,133	116,089

Investments		Carrying Value	Market Value
Repurchase agreements-			
Securities held by the Department's agent in the Department's name	$	143,568,506	143,568,920
Agency securities			
Securities held by the Department's agent in the Department's name	$	12,484,236	12,640,289
Total Investment	$	156,052,742	156,209,209
Total Cash and Investments	$	159,315,875	156,325,298

2. Transfers-In/(Out)

These amounts represent local sales tax collected by the Division of Motor Vehicles and Drivers Licensing central office and local branch and fee offices. The collections are subsequently transferred to the Local Sales Tax Clearing Bank Account. These amounts are included in the monthly distributions to the local taxing authorities.

3. Refunds of Overpayment of Taxes

A. Refund amounts of overpayment of state and local sales and use taxes and state motor vehicle sales taxes including interest for the years ending June 30,1998 and 1997, and local motor vehicle sales taxes for the year ended June 30, 1998, are listed below. These funds were paid from a refund appropriation maintained by the Department of Revenue, Division of Administration. These refunds are not reflected in the schedules and do not necessarily relate to the receipts in the years issued.

	Amount of Refunds Year Ended June 30,	
	1998	1997
Sales and Use Tax, June 30, 1998	$32,773,261	28,534,203
Local Use Tax, June 30, 1998	30,971,492	N/A
Motor Vehicle Sales Tax, June 30, 1998	4,527,232	2,360,734

B. The refunds to taxpayers amount shown on the Schedule of Receipts and Distributions: Local Funds represents refunds made to taxpayers because of overpayment of taxes. These refunds were paid from the Local Motor Vehicles Sales Tax Account. This account is maintained by the Division of Taxation and Collection of the Department of Revenue.

Supplementary Data

Schedule 1-A

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1998

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Total (Memorandum Only)
CITIES:								
Adrian	$ 81,027	0	0	0	0	0	0	81,027
Advance	138,769	69,216	0	0	0	0	0	207,985
Airport Drive	95,343	45,712	0	0	0	0	0	141,055
Alba	13,763	0	0	0	0	0	0	13,763
Albany	132,999	65,983	0	0	0	0	0	198,982
Alexandria	12,084	0	0	0	0	0	0	12,084
Alton	71,823	34,450	0	0	0	0	0	106,273
Amsterdam	10,375	0	0	0	0	0	0	10,375
Anderson	152,984	0	72,799	0	0	0	0	225,783
Annapolis	29,142	14,265	14,265	0	0	0	0	57,672
Appleton City	137,601	0	0	0	0	0	0	137,601
Arbyrd	21,621	0	0	0	0	0	0	21,621
Arcadia	56,906	0	0	0	0	0	0	56,906
Archie	31,029	0	0	0	0	0	0	31,029
Argyle	7,851	0	0	0	0	0	0	7,851
Arnold	2,876,793	207,692	0	0	0	0	0	3,084,485
Arrow Rock	7,829	3,915	0	0	0	0	0	11,744
Ash Grove	100,403	0	0	12,135	0	0	0	112,538
Ashland	181,919	86,238	0	0	0	0	0	268,157
Atlanta	10,592	0	0	0	0	0	0	10,592
Augusta	44,610	0	0	0	0	0	0	44,610
Aurora	790,673	0	375,628	0	0	0	0	1,166,301
Auxvasse	57,538	0	26,546	0	0	0	0	84,084
Ava	203,554	202,821	0	16,370	0	0	0	422,745
Avondale	13,614	0	0	0	0	0	0	13,614
Bagnell	3,784	0	0	0	0	0	0	3,784
Bakersfield	9,414	0	0	0	0	0	0	9,414
Ballwin	0	1,239,096	0	0	0	0	0	1,239,096
Bates City	67,660	0	0	5,925	0	0	0	73,585
Battlefield	11,052	0	8,377	0	0	0	0	19,429
Bel-Nor	0	96,664	0	4,160	0	0	0	100,824
Bel-Ridge	0	183,246	0	0	0	0	0	183,246
Bella Villa	0	40,627	0	1,689	0	0	0	42,316
Bellefontaine Neighbors	0	582,440	0	0	0	0	0	582,440
Bell City	12,961	0	0	0	0	0	0	12,961
Belle	112,730	0	49,965	0	0	0	0	162,695
Bellflower	12,259	5,070	5,069	0	0	0	0	22,398
Belton	1,405,503	747,946	702,751	0	0	0	0	2,856,200
Benton	44,201	0	0	0	0	0	0	44,201
Berger	7,729	0	0	0	0	0	0	7,729
Berkleley	0	653,497	0	0	0	0	0	653,497
Bernie	95,897	47,733	0	0	0	0	0	143,630
Bethany	465,663	262,276	0	0	0	0	0	727,939
Beverly Hills	0	52,552	0	0	0	0	0	52,552
Bevier	33,152	0	0	0	0	0	0	33,152
Biehle	94,307	0	0	0	0	0	0	94,307
Billings	48,220	0	0	0	0	0	0	48,220
Birch Tree	31,240	0	14,521	0	0	0	0	45,761
Birmingham	16,562	0	0	0	0	0	0	16,562
Bismarck	70,536	0	31,272	0	0	0	0	101,808
Black Jack	0	327,069	0	17,344	0	0	0	344,413
Blackburn	5,702	0	0	0	0	0	0	5,702
Blairstown	11,189	0	0	0	0	0	0	11,189
Bland	36,053	16,747	0	0	0	0	0	52,800
Bloomfield	106,783	14,168	0	14,868	0	0	0	135,819
Blue Springs	5,108,463	0	2,420,565	0	0	0	0	7,529,028

Bolivar	1,127,362	0	540,837	0	0	0	0	1,668,199
Bonne Terre	343,264	80,610	161,817	0	0	0	0	585,691
Boonville	693,361	328,827	0	0	0	0	0	1,022,188
Bourbon	109,236	0	52,336	0	0	0	0	161,572
Bowling Green	347,238	0	163,085	0	0	0	0	510,323
Branson	6,792,713	0	3,383,030	0	0	0	0	10,175,743
Branson West	557,826	278,913	0	0	0	0	0	836,739
Braymer	49,066	0	0	0	0	0	0	49,066
Breckenridge	10,721	0	0	12,671	0	0	0	23,392
Brentwood	0	1,501,087	0	0	0	0	0	1,501,087
Bridgeton	0	238,085	0	0	0	0	0	238,085
Brookfield	570,702	76,748	268,919	0	0	0	0	916,369
Brookline	18,861	0	0	0	0	0	0	18,861
Browning	8,812	0	0	767	0	0	0	9,579
Brumley	5,998	0	0	0	0	0	0	5,998
Brunswick	102,578	0	9	0	0	0	0	102,587
Bucklin	20,492	0	0	3,190	0	0	0	23,682
Buckner	140,663	64,569	0	0	0	0	0	205,232
Buffalo	505,939	0	0	0	0	0	0	505,939
Bull Creek Village	3,125	0	0	0	0	0	0	3,125
Bunker	18,945	0	0	0	0	0	0	18,945
Butler	502,738	0	201,281	0	0	0	0	704,019
Bynes Mill	53,936	0	0	0	0	0	0	53,936
Cabool	231,633	212	0	0	0	0	0	231,845
Caledonia	7,339	0	0	0	0	0	0	7,339
Calhoun	11,195	4,557	0	0	0	0	0	15,752
California	378,999	0	0	0	0	0	0	378,999
Callao	6,406	0	0	0	0	0	0	6,406
Camdenton	900,182	440,319	440,610	0	0	0	0	1,781,111
Cameron	979,112	485,758	0	0	0	0	0	1,464,870
Campbell	101,554	0	0	0	0	0	0	101,554
Canton	142,328	53,268	0	0	0	0	0	195,596
Cape Girardeau	7,299,003	3,626,912	3,552,641	0	0	0	0	14,478,556
Cardwell	15,127	0	0	0	0	0	0	15,127
Carl Junction	167,112	0	69,519	0	0	0	0	236,631
Carrollton	352,049	0	176,250	0	0	0	0	528,299
Carterville	52,356	26,159	21,213	30	0	0	0	99,758
Carthage	1,563,674	750,183	751,227	0	0	0	0	3,065,084
Caruthersville	507,174	253,571	0	0	0	0	0	760,745
Cassville	539,329	269,664	0	0	0	0	0	808,993
Cedar City	0	0	0	0	0	0	0	0
Center	30,716	0	0	0	0	0	0	30,716
Centertown	19,887	0	0	0	0	0	0	19,887
Centerville	8,304	0	0	0	0	0	0	8,304
Centralia	276,452	0	0	0	0	0	0	276,452
Chaffee	151,495	75,746	0	0	0	0	0	227,241
Chamois	17,800	0	0	0	0	0	0	17,800
Charlack	0	74,045	0	0	0	0	0	74,045
Charleston	469,562	0	222,653	0	0	0	0	692,215
Chesterfield	0	3,037,385	0	0	0	0	0	3,037,385
Chilhowee	14,590	0	0	0	0	0	0	14,590
Chillicothe	1,387,977	660,905	661,464	0	0	0	0	2,710,346
Clarence	86,156	0	0	0	0	0	0	86,156
Clarksville	28,531	0	0	0	0	0	0	28,531
Clayton	0	2,008,844	0	0	0	0	0	2,008,844
Cleveland	28,184	0	0	0	0	0	0	28,184
Clever	33,025	0	0	0	0	0	0	33,025
Climax Springs	2,737	0	0	0	0	0	0	2,737
Clinton	1,300,390	955,412	614,127	0	0	0	0	2,869,929
Cole Camp	114,058	0	0	0	0	0	0	114,058
Collins	42,587	0	0	1,703	0	0	0	44,290
Columbia	13,252,742	3,212,910	6,429,496	0	0	0	0	22,895,148
Concordia	264,725	254,515	0	0	0	0	0	519,240
Conway	41,616	20,808	0	0	0	0	0	62,424
Corder	12,205	6,103	0	1,506	0	0	0	19,814
Cottleville	83,503	0	0	0	0	0	0	83,503
Country Club Hills	0	71,911	0	0	0	0	0	71,911
Crane	93,072	0	42,279	5,312	0	0	0	140,663
Creighton	9,547	0	0	0	0	0	0	9,547
Crestwood	0	1,710,684	0	0	0	0	0	1,710,684
Creve Coeur	0	128,642	0	0	0	0	0	128,642
Crocker	77,490	0	0	0	0	0	0	77,490
Crystal City	682,583	334,262	0	0	0	0	0	1,016,845
Crystal Lake	3,217	0	0	0	0	0	0	3,217
Crystal Lake Park	0	27,100	0	0	0	0	0	27,100
Cuba	460,966	0	230,441	0	0	0	0	691,407

De Soto	707,439	0	0	0	0	0	0	707,439
Dearborn	32,783	0	0	0	0	0	0	32,783
Deepwater	13,489	0	0	0	0	0	0	13,489
Dellwood	0	279,804	0	0	0	0	0	279,804
Delta	21,539	0	0	0	0	0	0	21,539
Desloge	540,791	258,955	258,955	0	0	0	0	1,058,701
Des Peres	0	1,505,390	0	45,686	0	0	0	1,551,076
Dexter	904,371	281,160	0	0	0	0	0	1,185,531
Diamond	34,952	0	8,294	0	0	0	0	43,246
Diggins	11,329	0	0	0	0	0	0	11,329
Dixon	124,876	0	56,858	0	0	0	0	181,734
Doniphan	360,196	0	170,880	0	0	0	0	531,076
Doolittle	30,941	0	0	0	0	0	0	30,941
Drexel	70,594	35,297	0	0	0	0	0	105,891
Dudley	23,130	0	0	0	0	0	0	23,130
Duenweg	49,571	0	0	0	0	0	0	49,571
Duquesne	116,481	0	0	0	0	0	0	116,481
Eagleville	66,238	15,937	7,968	0	0	0	0	90,143
East Lynne	6,075	3,037	0	0	0	0	0	9,112
East Prairie	186,674	0	83,949	0	0	0	0	270,623
Easton	5,608	0	0	0	0	0	0	5,608
Edgar Springs	11,352	0	0	0	0	0	0	11,352
Edgerton	22,790	0	0	0	0	0	0	22,790
Edina	108,234	0	0	0	0	0	0	108,234
Edmundson	0	137,880	0	3,603	0	0	0	141,483
El Dorada Springs	354,227	177,231	0	0	0	0	0	531,458
Eldon	737,934	344,082	55	0	0	0	0	1,082,071
Ellington	151,977	56,427	0	0	0	0	0	208,404
Ellisville	0	1,290,476	0	0	0	0	0	1,290,476
Ellsinore	27,134	12,921	0	0	0	0	0	40,055
Elsberry	125,298	0	54,062	6,481	0	0	0	185,841
Eminence	59,525	28,541	0	0	0	0	0	88,066
Emma	13,736	0	0	0	0	0	0	13,736
Eolia	21,149	0	0	0	0	0	0	21,149
Essex	16,064	0	0	0	0	0	0	16,064
Esther	17	0	8	0	0	0	0	25
Ewing	20,861	0	0	0	0	0	0	20,861
Excelsior Springs	1,175,541	587,765	559,785	0	0	0	0	2,323,091
Exeter	15,667	0	0	0	0	0	0	15,667
Eureka	0	777,473	0	0	0	0	0	777,473
Fair Grove	67,666	0	0	0	0	0	0	67,666
Fair Play	0	8,217	8,217	0	0	0	0	16,434
Fairfax	35,917	0	0	0	0	0	0	35,917
Fairview	11,608	0	0	0	0	0	0	11,608
Farber	12,552	0	0	0	0	0	0	12,552
Farmington	2,200,821	1,100,215	0	0	0	0	0	3,301,036
Fayette	156,510	0	0	0	0	0	0	156,510
Fenton	0	1,894,279	0	0	0	0	0	1,894,279
Ferguson	0	1,007,954	0	0	0	0	0	1,007,954
Ferrelview	16,479	0	0	0	0	0	0	16,479
Festus	1,916,940	463,300	935,177	0	0	0	0	3,315,417
Fisk	41,049	19,507	0	0	0	0	0	60,556
Flat River	4	0	2	0	0	0	0	6
Flint Hill	69,310	0	0	0	0	0	0	69,310
Flordell Hills	0	51,662	0	2,370	0	0	0	54,032
Florissant	0	2,824,696	0	0	0	0	0	2,824,696
Foley	10,758	0	0	0	0	0	0	10,758
Fordland	24,306	0	0	0	0	0	0	24,306
Forest City	12,212	0	0	0	0	0	0	12,212
Foristell	107,004	53,501	0	8,631	0	0	0	169,136
Forsyth	217,347	105,462	0	0	0	0	0	322,809
Frankford	9,798	0	0	0	0	0	0	9,798
Franklin	4,089	2,045	2,045	0	0	0	0	8,179
Fredericktown	394,312	0	184,722	0	0	0	0	579,034
Freeburg	90,248	22,570	0	0	0	0	0	112,818
Freeman	26,017	0	0	0	0	0	0	26,017
Fremont Hills	22,136	0	0	1,570	0	0	0	23,706
Frontenac	0	701,150	0	0	0	0	0	701,150
Fulton	981,564	490,452	490,641	0	0	0	0	1,962,657
Gainesville	134,656	0	0	0	0	0	0	134,656
Galena	18,958	0	0	0	0	0	0	18,958
Gallatin	125,377	0	0	3,529	0	0	0	128,906
Garden City	83,318	0	0	0	0	0	0	83,318
Gasconade	4,425	0	0	0	0	0	0	4,425
Gerald	112,300	0	53,745	0	0	0	0	166,045
Gerster	216	0	0	0	0	0	0	216
Gilliam	2,173	0	0	0	0	0	0	2,173
Gladstone	2,989,101	1,413,928	1,415,740	0	0	0	0	5,818,769
Glasgow	91,151	22,782	41,990	0	0	0	0	155,923
Glendale	0	317,146	0	16,814	0	0	0	333,960
Golden City	38,953	0	22,259	0	0	0	0	61,212
Goodman	49,528	0	0	0	0	0	0	49,528
Gower	65,444	0	0	9,121	0	0	0	74,565
Grain Valley	311,490	144,136	144,206	0	0	0	0	599,832
Granby	163,693	30,696	0	0	0	0	0	194,389
Grandin	5,040	0	0	0	0	0	0	5,040
Grandview	2,541,375	0	1,194,318	0	0	0	0	3,735,693

Grant City	60,163	0	0	0	0	0	0	60,163
Grantwood	0	48,196	0	2,555	0	0	0	50,751
Gravois Mills	23,659	0	0	0	0	0	0	23,659
Green City	43,734	21,895	0	0	0	0	0	65,629
Green Ridge	19,825	0	0	0	0	0	0	19,825
Greenfield	109,892	0	0	0	0	0	0	109,892
Greentop	20,077	0	0	0	0	0	0	20,077
Greenville	31,186	28,974	0	0	0	0	0	60,160
Greenwood	197,489	0	89,078	0	0	0	0	286,567
Hale	18,297	2,346	2,346	0	0	0	0	22,989
Hallsville	49,446	0	0	0	0	0	0	49,446
Hamilton	105,450	0	52,650	0	0	0	0	158,100
Hannibal	2,177,148	1,684,752	0	0	0	0	0	3,861,900
Hardin	19,309	0	0	0	0	0	0	19,309
Harrisburg	35,958	0	0	0	0	0	0	35,958
Harrisonville	1,503,887	728,012	0	0	0	0	0	2,231,899
Hartville	57,326	14,978	0	0	0	0	0	72,304
Hawk Point	35,387	0	0	0	0	0	0	35,387
Hayti	250,761	125,381	116,145	0	0	0	0	492,287
Hayti Heights	16,641	6,269	0	0	0	0	0	22,910
Hazelwood	0	1,431,240	0	284,505	0	0	0	1,715,745
Henrietta	18,478	0	0	0	0	0	0	18,478
Herculaneum	381,552	0	0	0	0	0	0	381,552
Hermann	336,312	80,355	161,810	0	0	0	0	578,477
Hermitage	82,656	40,495	0	3,979	0	0	0	127,130
Higbee	15,369	0	7,685	0	0	0	0	23,054
Higginsville	458,367	114,497	214,797	0	0	0	0	787,661
High Hill	11,178	0	0	0	0	0	0	11,178
Highlandville	19,831	0	0	0	0	0	0	19,831
Hillsboro	191,354	71,756	0	0	0	0	0	263,110
Hillsdale	0	103,857	0	0	0	0	0	103,857
Holcomb	29,353	0	0	0	0	0	0	29,353
Holden	161,298	0	72,275	0	0	0	0	233,573
Hollister	353,178	176,590	0	0	0	0	0	529,768
Holt	34,262	26,732	0	0	0	0	0	60,994
Holts Summit	200,569	92,830	92,881	14,741	0	0	0	401,021
Homestown	1,644	0	0	0	0	0	0	1,644
Homersville	27,815	0	0	0	0	0	0	27,815
Houston	378,467	18,306	90,154	0	0	0	0	486,927
Howardville	3,814	0	0	3,742	0	0	0	7,556
Humansville	44,044	25,134	0	0	0	0	0	69,178
Hunnewell	6,222	0	0	0	0	0	0	6,222
Huntsville	46,039	0	23,019	0	0	0	0	69,058
Iberia	70,054	18,229	15,248	0	0	0	0	103,531
Illmo-Scott City	5	0	0	0	0	0	0	5
Independence	13,829,031	0	0	0	0	0	0	13,829,031
Ironton	175,685	0	81,228	0	0	0	0	256,913
Jackson	1,228,064	0	584,320	0	0	0	0	1,812,384
Jamesport	47,787	0	0	0	0	0	0	47,787
Jasper	54,208	27,104	24,362	0	0	0	0	105,674
Jefferson City	7,377,819	3,584,034	210	0	0	0	0	10,962,063
Jennings	0	845,955	0	0	0	0	0	845,955
Jonesburg	54,603	25,747	0	0	0	0	0	80,350
Joplin	9,713,874	0	4,856,900	0	0	0	0	14,570,774
Josephville	4,231	0	0	0	0	0	0	4,231
Kahoka	149,245	0	0	0	0	0	0	149,245
Kansas City	58,317,736	0	29,159,456	16,190,117	0	0	0	103,667,309
Kearney	623,959	193,956	294,800	0	0	0	0	1,112,715
Kennett	1,070,144	0	0	0	0	0	0	1,070,144
Kidder	18,624	0	0	0	0	0	0	18,624
Kimberling City	270,538	257,098	0	120,367	0	0	0	648,003
Kimmswick	42,089	0	21,044	0	0	0	0	63,133
King City	78,373	0	0	0	0	0	0	78,373
Kingdom City	206,628	103,300	0	0	0	0	0	309,928
Kinloch	0	144,143	0	0	0	0	0	144,143
Kirksville	2,011,689	484,282	968,756	0	0	0	0	3,464,727
Kirkwood	0	1,323,515	0	80,107	0	0	0	1,403,622
Knob Noster	122,224	55,770	55,604	32,958	0	0	0	266,556
La Belle	15,433	0	0	0	0	0	0	15,433
La Grange	33,790	0	0	0	0	0	0	33,790
La Monte	63,748	0	0	0	0	0	0	63,748
La Plata	78,989	0	0	0	0	0	0	78,989
Laddonia	0	10,830	10,830	0	0	0	0	21,660
Ladue	0	740,073	0	0	0	0	0	740,073
Lake Ozark	338,079	166,434	166,434	0	0	0	0	670,947
Lake St. Louis	445,433	0	222,716	0	0	0	0	668,149
Lakeside	946	0	0	0	0	0	0	946
Lamar	440,335	220,103	220,103	0	0	0	0	880,541
Lanagan	9,565	0	4,784	0	0	0	0	14,349
Lancaster	63,570	0	0	0	0	0	0	63,570
Lathrop	85,145	0	0	0	0	0	0	85,145
Laurie	322,647	0	0	0	0	0	0	322,647
Lawson	148,634	74,317	0	0	0	0	0	222,951
Leadington	126,320	63,167	63,168	21,182	0	0	0	273,837
Leadwood	25,360	0	0	0	0	0	0	25,360
Lebanon	2,333,175	1,136,816	1,138,780	0	0	0	0	4,608,771
Lee's Summit	6,419,914	468,392	3,017,374	0	0	0	0	9,905,680
Leeton	23,502	11,738	0	0	0	0	0	35,240

Levasy	5,301	0	0	0	0	0	0	5,301
Lexington	331,875	314,593	0	0	0	0	0	646,468
Liberal	28,901	0	0	0	0	0	0	28,901
Liberty	2,750,872	1,300,569	15	0	0	0	0	4,051,456
Licking	155,188	77,452	0	0	0	0	0	232,640
Lilbourn	52,826	0	0	1,868	0	0	0	54,694
Lincoln	70,156	33,073	0	12,688	0	0	0	115,917
Linn	165,860	0	0	0	0	0	0	165,860
Linn Creek	48,598	24,299	0	5,927	0	0	0	78,824
Lockwood	68,347	0	0	4,314	0	0	0	72,661
Loma Linda	15,463	0	0	0	0	0	0	15,463
Lone Jack	35,061	0	0	0	0	0	0	35,061
Louisiana	409,657	0	0	0	0	0	0	409,657
Lowry City	43,793	0	0	1,060	0	0	0	44,853
Lutesville	0	0	0	0	0	0	0	0
Macks Creek	6,902	0	0	0	0	0	0	6,902
Macon	640,750	290,758	0	0	0	0	0	931,508
Madison	23,015	0	0	0	0	0	0	23,015
Malden	541,318	0	0	0	0	0	0	541,318
Malta Bend	4,535	0	0	0	0	0	0	4,535
Manchester	0	754,321	0	0	0	0	0	754,321
Mansfield	114,672	65,460	0	0	0	0	0	180,132
Maplewood	0	623,000	0	35,235	0	0	0	658,235
Marble Hill	181,412	90,706	0	0	0	0	0	272,118
Marceline	170,130	0	0	0	0	0	0	170,130
Marionville	107,817	0	53,896	0	0	0	0	161,713
Marquand	9,421	0	0	0	0	0	0	9,421
Marshall	1,246,448	0	0	0	0	0	0	1,246,448
Marshfield	689,208	340,792	0	0	0	0	0	1,030,000
Marthasville	0	21,877	21,876	4,142	0	0	0	47,895
Marston	71,077	0	0	3,041	0	0	0	74,118
Martinsburg	24,942	0	0	0	0	0	0	24,942
Maryland Heights	0	5,000,878	0	0	0	0	0	5,000,878
Maryville	1,237,886	618,892	0	0	0	0	0	1,856,778
Maysville	55,087	7,713	27,176	0	0	0	0	89,976
Memphis	223,354	0	0	0	0	0	0	223,354
Merriam Woods	16,995	0	0	0	0	0	0	16,995
Meta	23,645	0	0	0	0	0	0	23,645
Mexico	1,329,020	632,432	0	0	0	0	0	1,961,452
Middletown	11,638	0	0	0	0	0	0	11,638
Milan	196,228	0	0	0	0	0	0	196,228
Miller	31,017	0	13,906	0	0	0	0	44,923
Miner	454,721	448,483	0	15,266	0	0	0	918,470
Moberly	1,670,356	796,176	798,529	0	0	0	0	3,265,061
Mokane	9,757	0	0	0	0	0	0	9,757
Monett	953,526	0	0	0	0	0	0	953,526
Monroe City	255,873	119,630	0	0	0	0	0	375,503
Montgomery City	285,057	0	127,885	0	0	0	0	412,942
Montrose	21,366	10,683	0	0	0	0	0	32,049
Morehouse	29,892	0	0	0	0	0	0	29,892
Morrison	12,430	0	0	0	0	0	0	12,430
Mosby	82,917	0	0	0	0	0	0	82,917
Moscow Mills	166,270	0	80,651	0	0	0	0	246,921
Mound City	54,573	0	0	0	0	0	0	54,573
Mount Vernon	400,579	199,957	0	0	0	0	0	600,536
Mountain Grove	742,759	371,246	0	0	0	0	0	1,114,005
Mountain View	363,365	0	175,101	0	0	0	0	538,466
Naylor	19,608	8,528	8,540	8,377	0	0	0	45,053
Neelyville	8,422	0	0	0	0	0	0	8,422
Neosho	1,595,678	369,215	579,235	0	0	0	0	2,544,128
Nevada	1,094,613	547,005	444,195	0	0	0	0	2,085,813
New Bloomfield	15,947	0	0	0	0	0	0	15,947
New Cambria	6,736	0	0	0	0	0	0	6,736
New Florence	61,096	28,702	28,702	0	0	0	0	118,500
New Franklin	32,788	16,394	13,357	0	0	0	0	62,539
New Haven	160,847	0	75,737	0	0	0	0	236,584
New London	76,639	0	22,210	0	0	0	0	98,849
New Madrid	194,625	0	0	75,401	0	0	0	270,026
New Melle	27,126	0	0	3,801	0	0	0	30,927
Newburg	16,558	7,251	7,251	0	0	0	0	31,060
Niangua	11,049	0	0	0	0	0	0	11,049
Nixa	848,814	0	424,406	0	0	0	0	1,273,220
Noel	122,628	45,395	57,031	0	0	0	0	225,054
Norborne	39,474	0	0	0	0	0	0	39,474
Normandy	0	110,831	0	0	0	0	0	110,831
North Kansas City	3,234,007	0	1,599,755	0	0	0	0	4,833,762
Northmoor	159,708	0	0	0	0	0	0	159,708
Northwoods	0	272,388	0	0	0	0	0	272,388
Norwood	23,659	0	0	0	0	0	0	23,659
O'Fallon	4,121,244	0	1,967,228	0	0	0	0	6,088,472
Oak Grove	500,035	182,178	182,394	0	0	0	0	864,607
Oakland	0	84,981	0	0	0	0	0	84,981
Oakview	39,184	18,302	0	11,286	0	0	0	68,772
Odessa	679,695	424,027	0	0	0	0	0	1,103,722
Old Monroe	31,618	7,532	7,585	0	0	0	0	46,735
Olivette	0	481,121	0	52,030	0	0	0	533,151
Oran	43,551	7,202	0	0	0	0	0	50,753
Oronogo	21,037	0	0	0	0	0	0	21,037

Orrick	35,651	0	15,361	0	0	0	0	51,012
Osage Beach	2,869,962	1,421,921	1,421,921	0	0	0	0	5,713,804
Osceola	58,136	33,217	0	0	0	0	0	91,353
Otterville	21,386	0	0	0	0	0	0	21,386
Owensville	455,779	119,678	222,758	0	0	0	0	798,215
Ozark	953,667	308,196	0	0	0	0	0	1,261,863
Pacific	617,495	0	0	0	0	0	0	617,495
Pagedale	0	185,759	0	0	0	0	0	185,759
Palmyra	288,967	72,225	0	0	0	0	0	361,192
Paris	97,635	42,677	42,505	0	0	0	0	182,817
Park Hills	536,581	248,537	248,536	0	0	0	0	1,033,654
Parkville	414,082	0	196,205	0	0	0	0	610,287
Parkway	16,848	0	0	0	0	0	0	16,848
Parma	29,692	0	0	2,948	0	0	0	32,640
Pasadena Hills	0	62,149	0	2,036	0	0	0	64,185
Pasadena Park	0	28,380	0	0	0	0	0	28,380
Pattonsburg	20,462	0	0	3,207	0	0	0	23,669
Peculiar	179,495	89,747	82,487	0	0	0	0	351,729
Peerless Park	0	85,380	0	2,204	0	0	0	87,584
Perry	67,026	0	31,239	0	0	0	0	98,265
Perryville	998,406	0	499,203	0	0	0	0	1,497,609
Pevely	312,263	0	147,520	0	0	0	0	459,783
Piedmont	339,315	159,706	159,705	0	0	0	0	658,726
Pierce City	48,755	0	27,847	0	0	0	0	76,602
Pilot Grove	38,022	0	18,910	32,138	0	0	0	89,070
Pilot Knob	52,430	26,183	24,392	0	0	0	0	103,005
Pine Lawn	0	271,161	0	0	0	0	0	271,161
Pineville	50,422	25,211	0	11,055	0	0	0	86,688
Platte City	407,892	408,008	0	0	0	0	0	815,900
Platte Woods	44,676	0	22,339	0	0	0	0	67,015
Plattsburg	132,416	65,566	0	0	0	0	0	197,982
Pleasant Hill	384,708	192,751	173,283	0	0	0	0	750,742
Pleasant Hope	38,742	0	0	2,313	0	0	0	41,055
Pleasant Valley	147,742	73,871	36,935	0	0	0	0	258,548
Polo	26,267	0	25,152	0	0	0	0	51,419
Poplar Bluff	3,167,653	1,541,028	0	0	0	0	0	4,708,681
Portage Des Sioux	16,680	0	0	0	0	0	0	16,680
Portageville	310,177	146,319	0	0	0	0	0	456,496
Potosi	481,079	0	0	0	0	0	0	481,079
Princeton	64,250	0	0	0	0	0	0	64,250
Purdy	48,677	0	0	0	0	0	0	48,677
Puxico	100,393	0	0	0	0	0	0	100,393
Queen City	22,102	0	0	0	0	0	0	22,102
Qulin	28,246	0	0	0	0	0	0	28,246
Randolph	87,235	0	0	0	0	0	0	87,235
Raymore	846,292	627,076	396,712	0	0	0	0	1,870,080
Raytown	2,759,679	639,152	0	0	0	0	0	3,398,831
Reeds Spring	75,635	0	0	0	0	0	0	75,635
Republic	657,256	328,502	328,627	0	0	0	0	1,314,385
Rich Hill	63,012	0	0	0	0	0	0	63,012
Richland	117,768	3,641	53,102	0	0	0	0	174,511
Richmond	650,310	0	0	0	0	0	0	650,310
Richmond Heights	0	2,609,362	0	0	0	0	0	2,609,362
Ridgeway	19,835	0	0	0	0	0	0	19,835
Risco	15,759	0	0	0	0	0	0	15,759
River Bend	12,576	0	0	0	0	0	0	12,576
Riverside	905,873	0	0	127,987	0	0	0	1,033,860
Riverview	0	172,950	0	6,533	0	0	0	179,483
Rocheport	14,615	7,308	0	0	0	0	0	21,923
Rock Hill	0	298,088	0	0	0	0	0	298,088
Rock Port	217,525	31,115	0	17,209	0	0	0	265,849
Rockaway Beach	32,279	14,865	7,128	0	0	0	0	54,272
Rockville	6,534	0	0	0	0	0	0	6,534
Rogersville	152,190	75,952	69,652	0	0	0	0	297,794
Rolla	2,597,841	1,297,754	1,298,901	0	0	0	0	5,194,496
Rosebud	30,819	0	14,899	0	0	0	0	45,718
Russellville	44,281	0	0	0	0	0	0	44,281
Rutledge	10,115	0	0	0	0	0	0	10,115
Saginaw	18,479	0	0	0	0	0	0	18,479
Salem	749,596	374,754	0	0	0	0	0	1,124,350
Salisbury	142,197	0	0	0	0	0	0	142,197
Sarcoxie	92,844	0	41,201	0	0	0	0	134,045
Savannah	446,494	0	0	0	0	0	0	446,494
Scott City	298,190	62,683	136,697	0	0	0	0	497,570
Sedalia	3,445,498	2,901,524	1,655,686	0	0	0	0	8,002,708
Seligman	56,567	1,659	0	0	0	0	0	58,226
Senath	56,133	0	0	0	0	0	0	56,133
Seneca	139,903	64,828	64,854	0	0	0	0	269,585
Seymour	129,529	0	0	0	0	0	0	129,529
Shelbina	200,964	49,966	0	0	0	0	0	250,930
Shelbyville	27,474	0	0	0	0	0	0	27,474
Sheldon	15,969	0	0	0	0	0	0	15,969
Shrewsbury	0	1,138,972	0	0	0	0	0	1,138,972
Sikeston	2,327,512	580,301	1,163,667	0	0	0	0	4,071,480
Silex	16,049	0	0	2,679	0	0	0	18,728
Slater	88,884	44,729	44,728	0	0	0	0	178,341
Smithton	11,692	0	0	0	0	0	0	11,692
Smithville	526,394	0	250,708	33,109	0	0	0	810,211

Southwest City	76,121	0	36,159	81,143	0	0	0	193,423
Sparta	49,657	0	0	0	0	0	0	49,657
Spickard	6,531	0	0	0	0	0	0	6,531
Springfield	29,812,594	7,262,395	3,605,194	2,524,888	0	0	0	43,205,071
St. Ann	0	1,357,069	0	0	0	0	0	1,357,069
St. Charles	8,244,457	3,971,191	0	0	0	0	0	12,215,648
St. Clair	487,586	243,560	0	0	0	0	0	731,146
St. Elizabeth	20,084	0	0	0	0	0	0	20,084
St. James	329,886	0	0	0	0	0	0	329,886
St. John	0	400,207	0	0	0	0	0	400,207
St. Joseph	8,927,790	4,456,639	1,336,764	0	0	0	0	14,721,193
St. Louis	47,308,121	28,889,236	25,824,321	0	0	0	0	102,021,678
St. Martins	33,260	0	0	0	0	0	0	33,260
St. Marys	23,539	0	11,401	0	0	0	0	34,940
St. Peters	9,129,690	0	4,564,845	0	0	0	0	13,694,535
St. Robert	683,641	341,701	333,439	0	0	0	0	1,358,781
St. Thomas	9,676	0	0	0	0	0	0	9,676
Ste. Genevieve	572,699	273,218	273,297	61,403	0	0	0	1,180,617
Steele	115,464	0	0	0	0	0	0	115,464
Steelville	165,434	0	0	0	0	0	0	165,434
Stewartsville	5,236	0	0	0	0	0	0	5,236
Stockton	147,850	73,915	73,925	0	0	0	0	295,690
Stoutland	8,956	0	0	0	0	0	0	8,956
Stover	82,637	0	38,855	0	0	0	0	121,492
Strafford	134,929	67,679	0	0	0	0	0	202,608
Sturgeon	42,426	0	18,799	0	0	0	0	61,225
Sugar Creek	313,928	0	0	14,912	0	0	0	328,840
Sullivan	1,141,653	570,276	0	0	0	0	0	1,711,929
Summersville	36,054	0	0	0	0	0	0	36,054
Sunrise Beach	76,975	0	0	12,222	0	0	0	89,197
Sunset Hills	0	824,179	0	0	0	0	0	824,179
Sweet Springs	93,659	41,912	41,903	0	0	0	0	177,474
Table Rock Townsite	8,918	0	0	0	0	0	0	8,918
Taos	13,247	0	0	0	0	0	0	13,247
Tarkio	168,584	0	0	0	0	0	0	168,584
Thayer	317,897	0	0	0	0	0	0	317,897
Theodosia	41,490	0	0	0	0	0	0	41,490
Tipton	163,805	79,900	0	0	0	0	0	243,705
Town and Country	0	1,278,913	0	0	0	0	0	1,278,913
Trenton	659,707	329,547	0	0	0	0	0	989,254
Troy	1,452,845	0	713,368	0	0	0	0	2,166,213
Truesdale	30,318	0	0	0	0	0	0	30,318
Tuscumbia	7,996	0	0	0	0	0	0	7,996
Twin Oaks	0	258,805	0	0	0	0	0	258,805
Union	1,062,941	265,612	531,469	0	0	0	0	1,860,022
Unionville	138,282	0	0	0	0	0	0	138,282
University City	0	2,138,511	0	0	0	0	0	2,138,511
Urbana	29,811	0	0	0	0	0	0	29,811
Urich	47,765	0	0	0	0	0	0	47,765
Uplands Park	0	26,620	0	343	0	0	0	26,963
Valley Park	0	505,336	0	0	0	0	0	505,336
Van Buren	97,393	45,665	0	0	0	0	0	143,058
Vandalia	259,976	102,356	0	0	0	0	0	362,332
Vandiver	112,351	0	0	0	0	0	0	112,351
Velda	0	85,195	0	0	0	0	0	85,195
Velda Village Hills	0	70,151	0	0	0	0	0	70,151
Verona	14,016	0	0	0	0	0	0	14,016
Versailles	382,955	188,199	0	0	0	0	0	571,154
Viburnum	64,299	0	0	0	0	0	0	64,299
Vienna	82,475	0	40,051	3,097	0	0	0	125,623
Village of Four Seasons	118,226	0	0	0	0	0	0	118,226
Village of Indian Point	120,753	60,377	0	0	0	0	0	181,130
Vinita Park	0	171,079	0	6,705	0	0	0	177,784
Vinita Terrace	0	18,031	0	0	0	0	0	18,031
Walnut Grove	29,555	0	0	0	0	0	0	29,555
Wardell	10,967	0	0	0	0	0	0	10,967
Wardsville	15,127	0	0	0	0	0	0	15,127
Warrensburg	1,884,483	941,770	0	206,966	0	0	0	3,033,219
Warrenton	992,168	248,042	496,083	0	0	0	0	1,736,293
Warsaw	443,076	221,524	213,526	0	0	0	0	878,126
Warson Woods	0	199,663	0	0	0	0	0	199,663
Washburn	18,231	9,115	9,115	0	0	0	0	36,461
Washington	2,250,890	1,125,443	0	0	0	0	0	3,376,333
Waverly	36,341	0	996	0	0	0	0	37,337
Wayland	10,350	0	0	0	0	0	0	10,350
Waynesville	339,442	79,881	159,942	0	0	0	0	579,265
Weaubleau	20,654	0	0	0	0	0	0	20,654
Webb City	625,985	285,960	288,796	0	0	0	0	1,200,741
Webster Groves	0	1,226,548	0	0	0	0	0	1,226,548
Wellsville	58,597	16,422	29,312	0	0	0	0	104,331
Wellston	0	192,688	0	0	0	0	0	192,688
Wentzville	1,288,644	629,840	0	405,204	0	0	0	2,323,688
West Plains	2,208,583	1,146,516	0	0	0	0	0	3,355,099
Weston	145,697	0	0	31,928	0	0	0	177,625
Westphalia	28,959	0	0	2,007	0	0	0	30,966
Wheatland	10,861	0	0	0	0	0	0	10,861
Wheaton	41,528	0	0	0	0	0	0	41,528
Wilbur Park	0	27,826	0	0	0	0	0	27,826

Willard	187,185	93,593	0	19,265	0	0	0	300,043
Williamsville	17,519	6,223	0	0	0	0	0	23,742
Willow Springs	199,114	52,110	0	0	0	0	0	251,224
Windsor	196,155	0	0	0	0	0	0	196,155
Winfield	42,262	0	19,935	0	0	0	0	62,197
Winona	67,781	33,891	31,945	0	0	0	0	133,617
Woods Heights	21,483	0	0	0	0	0	0	21,483
Woodson Terrace	0	208,699	0	12,249	0	0	0	220,948
Wright City	130,502	31,225	62,300	0	0	0	0	224,027
Wyaconda	6,513	0	0	0	0	0	0	6,513
Wyatt	17,424	0	0	0	0	0	0	17,424
COUNTIES:								
Adair	0	0	0	0	1,217,766	656,420	0	1,874,186
Andrew	0	0	0	174,510	341,688	683,380	0	1,199,578
Atchison	0	0	0	0	0	594,739	0	594,739
Audrain	0	0	0	0	976,745	1,527,882	0	2,504,627
Barry	0	0	0	0	1,230,904	1,232,113	0	2,463,017
Barton	0	0	0	0	388,327	388,266	0	776,593
Bates	0	0	0	37,630	0	469,962	0	507,592
Benton	0	0	0	0	534,641	585,372	0	1,120,013
Bollinger	0	0	0	0	231,722	231,713	0	463,435
Boone	0	0	0	0	7,897,551	7,896,891	0	15,794,442
Buchanan	0	0	0	0	4,670,037	5,602,362	0	10,272,399
Butler	0	0	0	0	2,125,118	2,124,245	0	4,249,363
Caldwell	0	0	0	0	177,423	353,576	0	530,999
Callaway	0	0	0	0	0	1,221,652	0	1,221,652
Camden	0	0	0	0	3,082,857	3,073,789	0	6,156,646
Cape Girardeau	0	0	0	0	4,696,020	26	0	4,696,046
Carroll	0	0	0	0	254,295	0	0	254,295
Carter	0	0	0	0	147,497	147,501	0	294,998
Cass	0	0	0	0	2,890,614	1,529,575	0	4,420,189
Cedar	0	0	0	0	364,153	0	0	364,153
Chariton	0	0	0	58,942	210,999	215,463	0	485,404
Christian	0	0	0	0	1,504,366	2,256,554	0	3,760,920
Clark	0	0	0	0	177,085	366,885	0	543,970
Clay	0	0	0	0	11,837,969	8,828,371	0	20,666,340
Clinton	0	0	0	0	356,073	356,067	0	712,140
Cole	0	0	0	302,434	0	4,077,374	0	4,379,808
Cooper	0	0	0	0	540,499	858,929	0	1,399,428
Crawford	0	0	0	0	654,414	765,540	0	1,419,954
Dade	0	0	0	19,847	193,143	193,107	0	406,097
Dallas	0	0	0	0	448,786	897,573	0	1,346,359
Daviess	0	0	0	0	0	592,362	0	592,362
Dekalb	0	0	0	0	463,498	465,795	0	929,293
Dent	0	0	0	0	562,128	0	0	562,128
Douglas	0	0	0	0	290,171	290,166	0	580,337
Dunklin	0	0	0	0	0	362,844	0	362,844
Franklin	0	0	0	0	3,924,489	5,885,706	0	9,810,195
Gasconade	0	0	0	0	596,640	562,800	0	1,159,440
Gentry	0	0	0	0	0	391,813	0	391,813
Greene	0	0	0	0	17,156,185	963,780	0	18,119,965
Grundy	0	0	0	0	400,710	400,546	0	801,256
Harrison	0	0	0	0	0	775,590	0	775,590
Henry	0	0	0	35,550	887,845	0	0	923,395
Hickory	0	0	0	0	198,244	396,271	0	594,515
Holt	0	0	0	0	153,150	535,174	0	688,324
Howard	0	0	0	0	229,733	658,135	0	887,868
Howell	0	0	0	0	1,654,831	0	0	1,654,831
Iron	0	0	0	0	314,379	0	0	314,379
Jackson	0	0	0	0	36,695,611	27,585,733	0	64,281,344
Jasper	0	0	0	0	4,607,385	4,293,434	0	8,900,819
Jefferson	0	0	0	0	7,048,671	14,093,871	0	21,142,542
Johnson	0	0	0	0	1,521,279	2,925,464	0	4,446,743
Knox	0	0	0	0	110,279	220,560	0	330,839
Laclede	0	0	0	0	1,447,581	1,444,908	0	2,892,489
Lafayette	0	0	0	0	1,124,624	1,125,981	0	2,250,605
Lawrence	0	0	0	0	995,326	995,509	0	1,990,835
Lewis	0	0	0	99,311	223,208	446,377	0	768,896
Lincoln	0	0	0	0	1,281,695	3,331,658	0	4,613,353
Linn	0	0	0	54,387	483,754	483,762	0	1,021,903
Livingston	0	0	0	0	774,888	0	0	774,888
Macon	0	0	0	0	490,248	865,556	0	1,355,804
Madison	0	0	0	0	340,326	329,117	0	669,443
Maries	0	0	0	36,212	191,144	382,766	0	610,122
Marion	0	0	0	0	1,364,295	2,047,334	0	3,411,629
McDonald	0	0	0	0	551,635	502,121	0	1,053,756
Mercer	0	0	0	0	108,960	108,893	0	217,853
Miller	0	0	0	0	937,253	936,769	0	1,874,022
Mississippi	0	0	0	0	397,675	1,116,606	0	1,514,281
Moniteau	0	0	0	0	358,040	357,121	0	715,161
Monroe	0	0	0	57,257	199,184	199,210	0	455,651
Montgomery	0	0	0	0	358,646	548,042	0	906,688
Morgan	0	0	0	0	719,515	68,806	0	788,321
New Madrid	0	0	0	0	952,016	0	0	952,016
Newton	0	0	0	0	1,654,691	2,205,833	0	3,860,524
Nodaway	0	0	0	0	773,291	773,199	0	1,546,490
Oregon	0	0	0	0	305,749	305,753	0	611,502
Osage	0	0	0	0	351,790	0	0	351,790

Ozark	0	0	0	0	210,018	441,691	0	651,709
Pemiscot	0	0	0	0	570,399	271,024	0	841,423
Perry	0	0	0	0	813,799	758,899	0	1,572,698
Pettis	0	0	0	172,662	2,056,557	0	0	2,229,219
Phelps	0	0	0	0	1,824,516	2,198	0	1,826,714
Pike	0	0	0	0	556,709	938,550	0	1,495,259
Platte	0	0	0	1,217,708	3,703,361	4,641,536	0	9,562,605
Polk	0	0	0	0	0	1,729,865	0	1,729,865
Pulaski	0	0	0	0	952,471	649,494	0	1,601,965
Putnam	0	0	0	0	0	253,245	0	253,245
Ralls	0	0	0	0	329,694	329,667	0	659,361
Randolph	0	0	0	0	988,269	0	0	988,269
Ray	0	0	0	0	570,158	1,140,309	0	1,710,467
Ripley	0	0	0	0	0	343,580	0	343,580
Saline	0	0	0	0	830,154	836,429	0	1,666,583
Schuyler	0	0	0	0	113,610	227,225	0	340,835
Scotland	0	0	0	0	0	365,775	0	365,775
Scott	0	0	0	0	1,628,647	2	0	1,628,649
Shannon	0	0	0	0	183,770	0	0	183,770
Shelby	0	0	0	0	210,475	321,545	0	532,020
St. Charles	0	0	0	1,952,909	13,531,435	27,060,843	0	42,545,187
St. Clair	0	0	0	0	213,216	0	0	213,216
St. Francois	0	0	0	0	2,386,272	3,370,572	0	5,756,844
St. Louis	0	0	104,866,630	0	0	0	139,861,742	244,728,372
Ste. Genevieve	0	0	0	0	691,032	598,362	0	1,289,394
Stoddard	0	0	0	0	954,560	0	0	954,560
Stone	0	0	0	207,849	1,358,237	3,165,320	0	4,731,406
Sullivan	0	0	0	0	193,030	385,749	0	578,779
Taney	0	0	0	0	4,528,390	9,052,838	0	13,581,228
Texas	0	0	0	0	595,162	0	0	595,162
Vernon	0	0	0	0	724,233	0	0	724,233
Warren	0	0	0	0	872,725	2,628,694	0	3,501,419
Washington	0	0	0	0	513,334	1,539,848	0	2,053,182
Wayne	0	0	0	0	357,004	356,848	0	713,852
Webster	0	0	0	0	812,014	1,136,293	0	1,948,307
Worth	0	0	0	0	57,928	86,345	0	144,273
Wright	0	0	0	0	606,381	0	0	606,381
TOTALS	$ 377,360,102	150,183,155	228,489,716	25,237,122	184,289,014	189,743,438	139,861,742	1,295,164,289

Schedule 1-B

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1997

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Total (Memorandum Only)
CITIES:								
Adrian	$ 82,950	0	0	0	0	0	0	82,950
Advance	126,209	62,736	0	0	0	0	0	188,945
Airport Drive	88,514	41,585	0	0	0	0	0	130,099
Alba	12,837	0	0	0	0	0	0	12,837
Albany	124,274	61,912	0	0	0	0	0	186,186
Alexandria	11,444	0	0	0	0	0	0	11,444
Alton	69,411	33,387	0	0	0	0	0	102,798
Amsterdam	8,946	0	0	0	0	0	0	8,946
Anderson	128,952	0	61,341	0	0	0	0	190,293
Annapolis	26,449	13,225	13,225	0	0	0	0	52,899
Appleton City	133,968	0	0	0	0	0	0	133,968
Arbyrd	22,888	0	0	0	0	0	0	22,888
Arcadia	58,383	0	0	0	0	0	0	58,383
Archie	34,256	0	0	0	0	0	0	34,256
Argyle	6,961	0	0	0	0	0	0	6,961
Arnold	2,673,268	0	0	0	0	0	0	2,673,268
Arrow Rock	7,698	3,849	0	0	0	0	0	11,547
Ash Grove	97,501	0	0	4,190	0	0	0	101,691
Ashland	178,770	84,821	0	0	0	0	0	263,591
Atlanta	14,417	0	0	0	0	0	0	14,417
Augusta	38,153	0	0	0	0	0	0	38,153
Aurora	750,731	0	357,139	0	0	0	0	1,107,870
Auxvasse	51,671	0	23,587	0	0	0	0	75,258
Ava	192,772	192,797	0	4,006	0	0	0	389,575
Avondale	6,516	0	0	0	0	0	0	6,516
Bagnell	3,153	0	0	0	0	0	0	3,153
Bakersfield	10,040	0	0	0	0	0	0	10,040

Ballwin	0	1,128,130	0	0	0	0	0	1,128,130
Bates City	68,498	0	0	2,832	0	0	0	71,330
Bel-Nor	0	92,226	0	1,953	0	0	0	94,179
Bel-Ridge	0	174,832	0	0	0	0	0	174,832
Bella Villa	0	21,455	0	1,095	0	0	0	22,550
Bell City	10,748	0	0	0	0	0	0	10,748
Belle	104,402	0	44,692	0	0	0	0	149,094
Bellefontaine Neighbors	0	555,697	0	0	0	0	0	555,697
Bellflower	11,609	4,781	4,781	0	0	0	0	21,171
Belton	1,322,828	51,547	661,413	0	0	0	0	2,035,788
Benton	37,917	0	0	0	0	0	0	37,917
Berger	6,700	0	0	0	0	0	0	6,700
Berkleley	0	359,047	0	0	0	0	0	359,047
Bernie	96,969	47,925	0	0	0	0	0	144,894
Bethany	421,701	13,777	0	0	0	0	0	435,478
Beverly Hills	0	51,589	0	0	0	0	0	51,589
Bevier	34,045	0	0	0	0	0	0	34,045
Biehle	105,520	0	0	0	0	0	0	105,520
Billings	45,824	0	0	0	0	0	0	45,824
Birch Tree	28,533	0	13,191	0	0	0	0	41,724
Birmingham	41,005	0	0	0	0	0	0	41,005
Bismarck	68,102	0	30,048	0	0	0	0	98,150
Black Jack	0	311,198	0	9,173	0	0	0	320,371
Blackburn	6,376	0	0	0	0	0	0	6,376
Blairstown	19,252	0	0	0	0	0	0	19,252
Bland	29,637	7,222	0	0	0	0	0	36,859
Bloomfield	106,729	8,083	0	2,181	0	0	0	116,993
Blue Springs	4,754,225	0	2,238,049	0	0	0	0	6,992,274
Bolivar	1,019,502	0	489,013	0	0	0	0	1,508,515
Bonne Terre	318,604	74,215	149,923	0	0	0	0	542,742
Boonville	651,600	307,653	0	0	0	0	0	959,253
Bourbon	107,044	0	51,242	0	0	0	0	158,286
Bowling Green	349,511	0	163,183	0	0	0	0	512,694
Branson	6,500,082	0	3,236,191	0	0	0	0	9,736,273
Branson West	529,267	264,485	0	0	0	0	0	793,752
Braymer	40,909	0	0	0	0	0	0	40,909
Breckenridge	9,277	0	0	0	0	0	0	9,277
Brentwood	0	1,206,000	0	0	0	0	0	1,206,000
Brookfield	553,418	0	260,258	0	0	0	0	813,676
Brookline	15,508	0	0	0	0	0	0	15,508

Browning	8,868	0	0	0	0	0	0	8,868
Brumley	7,073	0	0	0	0	0	0	7,073
Brunswick	75,806	0	21,212	0	0	0	0	97,018
Bucklin	21,098	0	0	1,585	0	0	0	22,683
Buckner	145,904	30,415	0	0	0	0	0	176,319
Buffalo	468,607	0	0	0	0	0	0	468,607
Bull Creek Village	1,471	0	0	0	0	0	0	1,471
Bunker	16,377	0	0	0	0	0	0	16,377
Butler	471,046	0	0	0	0	0	0	471,046
Bynes Mill	58,840	0	0	0	0	0	0	58,840
Cabool	223,394	605	0	0	0	0	0	223,999
Caledonia	6,513	0	0	0	0	0	0	6,513
Calhoun	10,822	4,445	0	0	0	0	0	15,267
California	356,022	0	0	0	0	0	0	356,022
Callao	8,295	0	0	0	0	0	0	8,295
Camdenton	856,858	416,844	417,903	0	0	0	0	1,691,605
Cameron	857,681	424,857	0	0	0	0	0	1,282,538
Campbell	94,899	0	0	0	0	0	0	94,899
Canton	143,114	53,597	0	0	0	0	0	196,711
Cape Girardeau	6,527,643	1,732,280	3,158,287	0	0	0	0	11,418,210
Cardwell	16,289	0	0	0	0	0	0	16,289
Carl Junction	146,330	0	61,799	0	0	0	0	208,129
Carrollton	328,334	0	164,044	0	0	0	0	492,378
Carterville	56,227	28,114	23,606	0	0	0	0	107,947
Carthage	1,499,316	699,876	720,134	0	0	0	0	2,919,326
Caruthersville	488,583	244,282	0	0	0	0	0	732,865
Cassville	500,276	250,125	0	0	0	0	0	750,401
Cedar City	8	0	0	0	0	0	0	8
Center	27,401	0	0	0	0	0	0	27,401
Centertown	17,639	0	0	0	0	0	0	17,639
Centerville	7,443	0	0	0	0	0	0	7,443
Centralia	260,916	0	0	0	0	0	0	260,916
Chaffee	146,166	73,082	0	0	0	0	0	219,248
Chamois	13,497	0	0	0	0	0	0	13,497
Charlack	0	70,452	0	0	0	0	0	70,452
Charleston	464,807	0	220,868	0	0	0	0	685,675
Chesterfield	0	157,481	0	0	0	0	0	157,481
Chilhowee	14,686	0	0	0	0	0	0	14,686
Chillicothe	1,316,706	625,341	625,832	0	0	0	0	2,567,879
Clarence	77,769	0	0	0	0	0	0	77,769

Clarksville	24,311	0	0	0	0	0	0	24,311
Clayton	0	1,128,930	0	0	0	0	0	1,128,930
Cleveland	20,934	0	0	0	0	0	0	20,934
Clever	29,189	0	0	0	0	0	0	29,189
Climax Springs	1,826	0	0	0	0	0	0	1,826
Clinton	1,231,523	499,270	579,155	0	0	0	0	2,309,948
Cole Camp	88,119	0	0	0	0	0	0	88,119
Collins	34,984	0	0	504	0	0	0	35,488
Columbia	12,374,976	2,995,192	5,995,919	0	0	0	0	21,366,087
Concordia	256,938	256,895	0	0	0	0	0	513,833
Conway	41,045	20,515	0	0	0	0	0	61,560
Corder	11,046	5,522	0	1,099	0	0	0	17,667
Cottleville	36,341	0	0	0	0	0	0	36,341
Country Club Hills	0	68,422	0	0	0	0	0	68,422
Crane	103,320	0	47,199	0	0	0	0	150,519
Creighton	10,009	0	0	0	0	0	0	10,009
Crestwood	0	1,629,151	0	0	0	0	0	1,629,151
Crocker	74,328	0	0	0	0	0	0	74,328
Crystal City	632,192	195,268	0	0	0	0	0	827,460
Crystal Lake Park	201	25,785	0	0	0	0	0	25,986
Cuba	455,395	0	227,664	0	0	0	0	683,059
De Soto	671,949	0	0	0	0	0	0	671,949
Dearborn	28,237	0	0	0	0	0	0	28,237
Deepwater	11,785	0	0	0	0	0	0	11,785
Dellwood	0	269,633	0	0	0	0	0	269,633
Delta	16,032	0	0	0	0	0	0	16,032
Des Peres	0	1,394,053	0	13,484	0	0	0	1,407,537
Desloge	499,125	238,558	238,557	0	0	0	0	976,240
Dexter	882,305	0	0	0	0	0	0	882,305
Diamond	33,950	0	0	0	0	0	0	33,950
Diggins	8,489	0	0	0	0	0	0	8,489
Dixon	127,782	0	57,770	0	0	0	0	185,552
Doniphan	349,201	0	164,805	0	0	0	0	514,006
Doolittle	36,592	0	0	0	0	0	0	36,592
Drexel	71,576	35,789	0	0	0	0	0	107,365
Dudley	23,002	0	0	0	0	0	0	23,002
Duenweg	48,460	0	0	0	0	0	0	48,460
Duquesne	109,660	0	0	0	0	0	0	109,660
Eagleville	53,381	0	0	0	0	0	0	53,381
East Lynne	2,909	1,454	0	0	0	0	0	4,363

East Prairie	175,801	0	78,715	0	0	0	0	254,516
Easton	5,572	0	0	0	0	0	0	5,572
Edgar Springs	9,944	0	0	0	0	0	0	9,944
Edgerton	19,817	0	0	0	0	0	0	19,817
Edina	113,008	0	0	0	0	0	0	113,008
Edmundson	0	136,177	0	2,603	0	0	0	138,780
Eldon	707,099	323,859	399	0	0	0	0	1,031,357
El Dorado Springs	344,016	94,308	0	0	0	0	0	438,324
Ellington	105,377	49,393	0	0	0	0	0	154,770
Ellisville	0	1,195,771	0	0	0	0	0	1,195,771
Ellsinore	26,684	12,689	0	0	0	0	0	39,373
Elsberry	117,818	0	50,518	0	0	0	0	168,336
Eminence	56,034	26,335	0	0	0	0	0	82,369
Emma	13,539	0	0	0	0	0	0	13,539
Eolia	19,290	0	0	0	0	0	0	19,290
Essex	8,598	0	0	0	0	0	0	8,598
Esther	73	0	37	0	0	0	0	110
Eureka	0	732,204	0	0	0	0	0	732,204
Ewing	18,749	0	0	0	0	0	0	18,749
Excelsior Springs	1,091,611	545,795	518,482	0	0	0	0	2,155,888
Exeter	14,135	0	0	0	0	0	0	14,135
Fair Grove	63,683	0	0	0	0	0	0	63,683
Fair Play	0	7,881	7,881	0	0	0	0	15,762
Fairfax	32,245	0	0	0	0	0	0	32,245
Fairview	12,056	0	0	0	0	0	0	12,056
Farmington	2,083,508	1,041,014	0	0	0	0	0	3,124,522
Fayette	143,742	0	0	0	0	0	0	143,742
Fenton	0	88,244	0	0	0	0	0	88,244
Ferguson	0	982,275	0	0	0	0	0	982,275
Ferrelview	15,182	0	0	0	0	0	0	15,182
Festus	1,817,250	33,098	886,149	0	0	0	0	2,736,497
Fisk	34,826	16,365	0	0	0	0	0	51,191
Flat River	60	0	27	0	0	0	0	87
Flint Hill	61,951	0	0	0	0	0	0	61,951
Flordell Hills	0	8,354	0	0	0	0	0	8,354
Florissant	0	1,498,058	0	0	0	0	0	1,498,058
Foley	8,575	0	0	0	0	0	0	8,575
Fordland	22,911	0	0	0	0	0	0	22,911
Forest City	4,600	0	0	0	0	0	0	4,600
Foristell	104,116	52,058	0	0	0	0	0	156,174

Forsyth	214,481	104,655	0	0	0	0	0	319,136
Frankford	3,126	0	0	0	0	0	0	3,126
Franklin	3,627	1,814	1,814	0	0	0	0	7,255
Fredericktown	387,042	0	180,514	0	0	0	0	567,556
Freeburg	81,295	20,220	0	0	0	0	0	101,515
Freeman	20,966	0	0	0	0	0	0	20,966
Fremont Hills	20,876	0	0	686	0	0	0	21,562
Frontenac	0	638,016	0	0	0	0	0	638,016
Fulton	901,159	244,494	450,531	0	0	0	0	1,596,184
Gainesville	139,766	0	0	0	0	0	0	139,766
Galena	16,573	0	0	0	0	0	0	16,573
Gallatin	122,787	0	0	0	0	0	0	122,787
Garden City	79,509	0	0	0	0	0	0	79,509
Gasconade	4,824	0	0	0	0	0	0	4,824
Gerald	105,852	0	50,562	0	0	0	0	156,414
Gerster	202	0	0	0	0	0	0	202
Gilliam	2,888	0	0	0	0	0	0	2,888
Gladstone	2,522,723	1,199,470	1,191,695	0	0	0	0	4,913,888
Glasgow	95,204	23,795	44,273	0	0	0	0	163,272
Glendale	0	302,585	0	7,753	0	0	0	310,338
Golden City	38,085	0	21,763	0	0	0	0	59,848
Goodman	55,432	0	0	0	0	0	0	55,432
Gower	61,998	0	0	3,517	0	0	0	65,515
Grain Valley	243,128	111,310	111,419	0	0	0	0	465,857
Granby	151,145	28,343	0	0	0	0	0	179,488
Grandin	6,253	0	0	0	0	0	0	6,253
Grandview	2,391,869	0	1,127,805	0	0	0	0	3,519,674
Grant City	55,762	0	0	0	0	0	0	55,762
Grantwood	0	7,793	0	347	0	0	0	8,140
Gravois Mills	19,114	0	0	0	0	0	0	19,114
Green City	41,734	12,695	0	0	0	0	0	54,429
Green Ridge	11,587	0	0	0	0	0	0	11,587
Greenfield	95,538	0	0	0	0	0	0	95,538
Greentop	18,227	0	0	0	0	0	0	18,227
Greenville	30,932	28,651	0	0	0	0	0	59,583
Greenwood	176,173	0	77,414	0	0	0	0	253,587
Hale	18,534	0	0	0	0	0	0	18,534
Hallsville	48,950	0	0	0	0	0	0	48,950
Hamilton	108,778	0	54,357	0	0	0	0	163,135
Hannibal	2,074,145	1,036,968	0	0	0	0	0	3,111,113

Hardin	17,059	0	0	0	0	0	0	17,059
Harrisburg	35,779	0	0	0	0	0	0	35,779
Harrisonville	1,398,996	388,007	0	0	0	0	0	1,787,003
Hartville	59,153	0	0	0	0	0	0	59,153
Hawk Point	32,401	0	0	0	0	0	0	32,401
Hayti	241,378	120,666	111,879	0	0	0	0	473,923
Hayti Heights	16,183	6,357	0	0	0	0	0	22,540
Hazelwood	0	786,356	0	119,619	0	0	0	905,975
Henrietta	16,534	0	0	0	0	0	0	16,534
Herculaneum	380,693	0	0	0	0	0	0	380,693
Hermann	321,737	41,300	153,594	0	0	0	0	516,631
Hermitage	73,643	36,119	0	0	0	0	0	109,762
Higbee	13,411	0	6,706	0	0	0	0	20,117
Higginsville	436,107	62,317	204,495	0	0	0	0	702,919
High Hill	13,283	0	0	0	0	0	0	13,283
Highlandville	11,806	0	0	0	0	0	0	11,806
Hillsboro	182,430	68,376	0	0	0	0	0	250,806
Hillsdale	0	16,794	0	0	0	0	0	16,794
Holcomb	27,492	0	0	0	0	0	0	27,492
Holden	154,494	0	68,062	0	0	0	0	222,556
Hollister	341,963	170,981	0	0	0	0	0	512,944
Holt	33,101	16,551	0	0	0	0	0	49,652
Holts Summit	201,548	92,338	93,280	6,264	0	0	0	393,430
Homestown	1,448	0	0	0	0	0	0	1,448
Hornersville	24,944	0	0	0	0	0	0	24,944
Houston	368,829	86,979	87,748	0	0	0	0	543,556
Howardville	4,663	0	0	596	0	0	0	5,259
Humansville	41,094	23,483	0	0	0	0	0	64,577
Hunnewell	5,751	0	0	0	0	0	0	5,751
Huntsville	40,727	0	20,359	0	0	0	0	61,086
Iberia	72,319	0	34,720	0	0	0	0	107,039
Illmo-Scott City	589	0	0	0	0	0	0	589
Independence	12,568,698	0	0	0	0	0	0	12,568,698
Ironton	166,893	0	76,868	0	0	0	0	243,761
Jackson	1,135,971	0	539,301	0	0	0	0	1,675,272
Jamesport	37,298	0	0	0	0	0	0	37,298
Jasper	56,305	27,998	25,515	0	0	0	0	109,818
Jefferson City	6,978,408	3,382,924	2,494	0	0	0	0	10,363,826
Jennings	0	743,489	0	0	0	0	0	743,489
Jonesburg	57,111	26,966	0	0	0	0	0	84,077

Joplin	9,137,725	0	4,568,366	0	0	0	0	13,706,091
Josephville	2,455	0	0	0	0	0	0	2,455
Kahoka	146,382	0	0	0	0	0	0	146,382
Kansas City	55,688,083	0	27,844,229	6,795,288	0	0	0	90,327,600
Kearney	553,759	0	258,867	0	0	0	0	812,626
Kennett	1,039,493	0	0	0	0	0	0	1,039,493
Kidder	13,323	0	0	0	0	0	0	13,323
Kimberling City	271,690	258,086	0	366,668	0	0	0	896,444
Kimmswick	35,550	0	17,775	0	0	0	0	53,325
King City	74,833	0	0	0	0	0	0	74,833
Kingdom City	190,134	95,051	0	0	0	0	0	285,185
Kinloch	0	79,195	0	0	0	0	0	79,195
Kirksville	1,924,571	462,727	925,783	0	0	0	0	3,313,081
Kirkwood	0	1,218,936	0	42,368	0	0	0	1,261,304
Knob Noster	122,281	28,878	55,878	28,007	0	0	0	235,044
La Belle	14,011	0	0	0	0	0	0	14,011
La Grange	40,384	0	0	0	0	0	0	40,384
La Monte	64,529	0	0	0	0	0	0	64,529
La Plata	78,853	0	0	0	0	0	0	78,853
Laddonia	0	11,995	11,994	0	0	0	0	23,989
Ladue	0	767,113	0	0	0	0	0	767,113
Lake Ozark	339,136	166,534	166,533	0	0	0	0	672,203
Lake St. Louis	412,697	0	206,348	0	0	0	0	619,045
Lakeside	1,499	0	0	0	0	0	0	1,499
Lamar	411,364	205,422	205,422	0	0	0	0	822,208
Lanagan	8,219	0	4,109	0	0	0	0	12,328
Lancaster	67,779	0	0	0	0	0	0	67,779
Lathrop	81,337	0	0	0	0	0	0	81,337
Laurie	296,184	0	0	0	0	0	0	296,184
Lawson	132,502	66,251	0	0	0	0	0	198,753
Leadington	118,020	58,796	58,796	4,520	0	0	0	240,132
Leadwood	25,817	0	0	0	0	0	0	25,817
Lebanon	2,091,685	1,012,126	1,014,836	0	0	0	0	4,118,647
Lee's Summit	5,639,164	0	2,652,974	0	0	0	0	8,292,138
Leeton	22,808	11,404	0	0	0	0	0	34,212
Levasy	5,972	0	0	0	0	0	0	5,972
Lexington	333,669	249,286	0	0	0	0	0	582,955
Liberal	28,044	0	0	0	0	0	0	28,044
Liberty	2,483,584	1,172,555	230	0	0	0	0	3,656,369
Licking	158,616	79,153	0	0	0	0	0	237,769

Lilbourn	47,229	0	0	2,647	0	0	0	49,876
Lincoln	66,435	31,219	0	3,666	0	0	0	101,320
Linn	158,169	0	0	0	0	0	0	158,169
Linn Creek	46,990	23,490	0	3,590	0	0	0	74,070
Lockwood	63,689	0	0	851	0	0	0	64,540
Loma Linda	3,507	0	0	0	0	0	0	3,507
Lone Jack	28,219	0	0	0	0	0	0	28,219
Louisiana	388,037	0	0	0	0	0	0	388,037
Lowry City	44,186	0	0	531	0	0	0	44,717
Macks Creek	5,851	0	0	0	0	0	0	5,851
Macon	619,562	25,975	0	0	0	0	0	645,537
Madison	22,621	0	0	0	0	0	0	22,621
Malden	535,265	0	0	0	0	0	0	535,265
Malta Bend	5,381	0	0	0	0	0	0	5,381
Manchester	0	729,201	0	0	0	0	0	729,201
Mansfield	105,821	60,403	0	0	0	0	0	166,224
Maplewood	0	539,160	0	15,806	0	0	0	554,966
Marble Hill	164,672	82,336	0	0	0	0	0	247,008
Marceline	169,275	0	0	0	0	0	0	169,275
Marionville	91,538	0	45,769	0	0	0	0	137,307
Marquand	9,457	0	0	0	0	0	0	9,457
Marshall	1,274,441	0	0	0	0	0	0	1,274,441
Marshfield	646,979	171,420	0	0	0	0	0	818,399
Marston	57,483	0	0	2,096	0	0	0	59,579
Marthasville	0	19,833	19,832	2,625	0	0	0	42,290
Martinsburg	26,276	0	0	0	0	0	0	26,276
Maryland Heights	0	4,308,506	0	0	0	0	0	4,308,506
Maryville	1,161,117	579,827	0	0	0	0	0	1,740,944
Maysville	56,048	0	27,994	0	0	0	0	84,042
Memphis	220,006	0	0	0	0	0	0	220,006
Merriam Woods	5,080	0	0	0	0	0	0	5,080
Meta	25,125	0	0	0	0	0	0	25,125
Mexico	1,278,155	606,373	0	0	0	0	0	1,884,528
Middletown	10,101	0	0	0	0	0	0	10,101
Milan	201,167	0	0	0	0	0	0	201,167
Miller	28,663	0	12,446	0	0	0	0	41,109
Miner	431,273	425,728	0	6,327	0	0	0	863,328
Moberly	1,580,493	750,645	750,955	0	0	0	0	3,082,093
Mokane	9,182	0	0	0	0	0	0	9,182
Monett	893,232	0	0	0	0	0	0	893,232

Monroe City	284,595	133,926	120,380	0	0	0	0	538,901
Montgomery City	276,143	0	0	0	0	0	0	276,143
Montrose	23,407	11,704	0	0	0	0	0	35,111
Morehouse	28,057	0	0	0	0	0	0	28,057
Morrison	15,969	0	0	0	0	0	0	15,969
Mosby	27,749	0	0	0	0	0	0	27,749
Moscow Mills	151,882	0	73,622	0	0	0	0	225,504
Mound City	53,176	0	0	0	0	0	0	53,176
Mount Vernon	383,622	191,693	0	0	0	0	0	575,315
Mountain Grove	700,821	350,281	0	0	0	0	0	1,051,102
Mountain View	340,416	0	162,997	0	0	0	0	503,413
Naylor	16,614	6,865	6,865	676	0	0	0	31,020
Neelyville	7,789	0	0	0	0	0	0	7,789
Neosho	1,436,459	173,908	521,794	0	0	0	0	2,132,161
Nevada	1,085,798	542,817	0	0	0	0	0	1,628,615
New Bloomfield	14,975	0	0	0	0	0	0	14,975
New Cambria	7,464	0	0	0	0	0	0	7,464
New Florence	50,068	22,797	22,797	0	0	0	0	95,662
New Franklin	33,264	16,598	13,574	0	0	0	0	63,436
New Haven	164,794	0	77,686	0	0	0	0	242,480
New London	74,905	0	21,738	0	0	0	0	96,643
New Madrid	200,559	0	0	10,313	0	0	0	210,872
New Melle	23,444	0	0	898	0	0	0	24,342
Newburg	14,579	6,329	6,329	0	0	0	0	27,237
Niangua	10,379	0	0	0	0	0	0	10,379
Nixa	737,226	0	368,612	0	0	0	0	1,105,838
Noel	127,493	11,498	59,683	0	0	0	0	198,674
Norborne	37,630	0	0	0	0	0	0	37,630
Normandy	0	65,060	0	0	0	0	0	65,060
North Kansas City	3,185,616	0	1,580,942	0	0	0	0	4,766,558
Northmoor	137,457	0	0	0	0	0	0	137,457
Northwoods	0	259,171	0	0	0	0	0	259,171
Norwood	21,885	0	0	0	0	0	0	21,885
O'Fallon	3,700,779	0	1,768,071	0	0	0	0	5,468,850
Oak Grove	433,144	89,863	167,396	0	0	0	0	690,403
Oakland	0	80,858	0	0	0	0	0	80,858
Oakview	40,914	19,290	0	3,948	0	0	0	64,152
Odessa	612,133	310,106	0	0	0	0	0	922,239
Old Monroe	31,859	7,659	7,659	0	0	0	0	47,177
Olivette	0	487,804	0	26,075	0	0	0	513,879

Oran	42,926	0	0	0	0	0	0	42,926
Oronogo	16,595	0	0	0	0	0	0	16,595
Orrick	34,944	0	14,941	0	0	0	0	49,885
Osage Beach	2,597,737	1,286,385	1,286,386	0	0	0	0	5,170,508
Osceola	56,430	32,245	0	0	0	0	0	88,675
Otterville	23,178	0	0	0	0	0	0	23,178
Owensville	409,244	99,950	199,903	0	0	0	0	709,097
Ozark	841,731	210,092	0	0	0	0	0	1,051,823
Pacific	588,032	0	0	0	0	0	0	588,032
Pagedale	0	179,068	0	0	0	0	0	179,068
Palmyra	299,749	74,937	0	0	0	0	0	374,686
Paris	95,260	41,199	41,211	0	0	0	0	177,670
Park Hills	534,222	247,260	247,259	0	0	0	0	1,028,741
Parkville	368,454	0	175,163	0	0	0	0	543,617
Parkway	12,872	0	0	0	0	0	0	12,872
Parma	27,966	0	0	380	0	0	0	28,346
Pasadena Hills	0	59,133	0	1,256	0	0	0	60,389
Pasadena Park	0	15,593	0	0	0	0	0	15,593
Pattonsburg	17,074	0	0	687	0	0	0	17,761
Peculiar	183,959	91,952	82,926	0	0	0	0	358,837
Peerless Park	0	76,775	0	1,238	0	0	0	78,013
Perry	62,755	0	29,066	0	0	0	0	91,821
Perryville	948,088	0	474,044	0	0	0	0	1,422,132
Pevely	293,477	0	138,479	0	0	0	0	431,956
Piedmont	333,475	156,713	156,713	0	0	0	0	646,901
Pierce City	47,539	0	27,163	0	0	0	0	74,702
Pilot Grove	37,431	0	10,617	30,201	0	0	0	78,249
Pilot Knob	55,254	27,619	25,910	0	0	0	0	108,783
Pine Lawn	0	258,711	0	0	0	0	0	258,711
Pineville	46,270	23,135	0	6,204	0	0	0	75,609
Platte City	374,262	334,744	0	0	0	0	0	709,006
Platte Woods	42,151	0	20,963	0	0	0	0	63,114
Plattsburg	117,631	31,796	0	0	0	0	0	149,427
Pleasant Hill	348,316	173,780	156,276	0	0	0	0	678,372
Pleasant Hope	40,644	0	0	1,574	0	0	0	42,218
Pleasant Valley	141,678	70,854	35,392	0	0	0	0	247,924
Polo	26,223	0	24,650	0	0	0	0	50,873
Poplar Bluff	2,993,455	1,452,828	0	0	0	0	0	4,446,283
Portage Des Sioux	14,791	0	0	0	0	0	0	14,791
Portageville	276,846	130,300	0	0	0	0	0	407,146

Potosi	454,683	0	0	0	0	0	0	454,683
Princeton	67,259	0	0	0	0	0	0	67,259
Purdy	44,240	0	0	0	0	0	0	44,240
Puxico	97,899	0	0	0	0	0	0	97,899
Queen City	22,419	0	0	0	0	0	0	22,419
Qulin	28,756	0	0	0	0	0	0	28,756
Randolph	78,189	0	0	0	0	0	0	78,189
Raymore	790,942	371,688	372,040	0	0	0	0	1,534,670
Raytown	2,674,280	341,317	0	0	0	0	0	3,015,597
Reeds Spring	67,309	0	0	0	0	0	0	67,309
Republic	548,097	272,595	274,050	0	0	0	0	1,094,742
Rich Hill	65,184	0	0	0	0	0	0	65,184
Richland	115,307	0	51,477	0	0	0	0	166,784
Richmond	608,168	0	0	0	0	0	0	608,168
Richmond Heights	0	1,837,381	0	0	0	0	0	1,837,381
Ridgeway	18,486	0	0	0	0	0	0	18,486
Risco	15,751	0	0	0	0	0	0	15,751
River Bend	10,300	0	0	0	0	0	0	10,300
Riverside	815,476	0	0	47,784	0	0	0	863,260
Riverview	0	164,558	0	3,495	0	0	0	168,053
Rocheport	11,838	5,919	0	0	0	0	0	17,757
Rock Hill	0	300,530	0	0	0	0	0	300,530
Rock Port	194,318	0	0	5,675	0	0	0	199,993
Rockaway Beach	33,054	15,233	15,233	0	0	0	0	63,520
Rockville	6,349	0	0	0	0	0	0	6,349
Rogersville	136,868	68,123	60,976	0	0	0	0	265,967
Rolla	2,444,576	690,911	1,222,232	0	0	0	0	4,357,719
Rosebud	29,613	0	6,733	0	0	0	0	36,346
Russellville	45,038	0	0	0	0	0	0	45,038
Rutledge	11,506	0	0	0	0	0	0	11,506
Saginaw	15,722	0	0	0	0	0	0	15,722
Salem	800,700	396,847	0	0	0	0	0	1,197,547
Salisbury	139,403	0	0	0	0	0	0	139,403
Sarcoxie	89,488	0	40,212	0	0	0	0	129,700
Savannah	166,476	0	0	0	0	0	0	166,476
Scott City	271,314	62,090	122,444	0	0	0	0	455,848
Sedalia	3,055,738	2,108,288	1,464,028	0	0	0	0	6,628,054
Seligman	61,591	0	0	0	0	0	0	61,591
Senath	50,143	0	0	0	0	0	0	50,143
Seneca	128,227	59,877	59,960	0	0	0	0	248,064

Seymour	116,662	0	0	0	0	0	0	116,662
Shelbina	193,250	26,010	0	0	0	0	0	219,260
Shelbyville	29,166	0	0	0	0	0	0	29,166
Sheldon	16,882	0	0	0	0	0	0	16,882
Shrewsbury	0	660,950	0	0	0	0	0	660,950
Sikeston	2,212,635	550,018	1,105,945	0	0	0	0	3,868,598
Silex	13,553	0	0	645	0	0	0	14,198
Slater	89,215	44,400	44,400	0	0	0	0	178,015
Smithton	12,647	0	0	0	0	0	0	12,647
Smithville	440,018	0	208,891	15,725	0	0	0	664,634
Southwest City	81,848	0	39,505	24,420	0	0	0	145,773
Sparta	36,875	0	0	0	0	0	0	36,875
Spickard	7,573	0	0	0	0	0	0	7,573
Springfield	27,611,621	6,732,844	193,747	876,329	0	0	0	35,414,541
St. Ann	0	1,317,108	0	0	0	0	0	1,317,108
St. Charles	7,464,447	3,586,851	0	0	0	0	0	11,051,298
St. Clair	487,858	243,758	0	0	0	0	0	731,616
St. Elizabeth	21,791	0	0	0	0	0	0	21,791
St. James	309,460	0	0	0	0	0	0	309,460
St. John	0	380,787	0	0	0	0	0	380,787
St. Joseph	8,136,131	4,063,112	1,216,096	0	0	0	0	13,415,339
St. Louis	47,172,655	27,934,813	25,718,553	0	0	0	0	100,826,021
St. Martins	31,025	0	0	0	0	0	0	31,025
St. Marys	19,452	0	526	0	0	0	0	19,978
St. Peters	8,146,567	0	4,073,283	0	0	0	0	12,219,850
St. Robert	654,785	327,262	318,079	0	0	0	0	1,300,126
St. Thomas	8,895	0	0	0	0	0	0	8,895
Ste. Genevieve	513,841	243,621	243,695	0	0	0	0	1,001,157
Steele	108,533	0	0	0	0	0	0	108,533
Steelville	151,642	0	0	0	0	0	0	151,642
Stockton	140,937	70,384	70,458	0	0	0	0	281,779
Stoutland	8,547	0	0	0	0	0	0	8,547
Stover	83,464	0	39,241	0	0	0	0	122,705
Strafford	113,227	56,435	0	0	0	0	0	169,662
Sturgeon	40,589	0	17,787	0	0	0	0	58,376
Sugar Creek	287,692	0	0	16,026	0	0	0	303,718
Sullivan	1,102,305	550,694	0	0	0	0	0	1,652,999
Summersville	34,519	0	0	0	0	0	0	34,519
Sunrise Beach	76,088	0	0	4,070	0	0	0	80,158
Sunset Hills	0	581,414	0	0	0	0	0	581,414

Sweet Springs	88,575	39,575	39,551	0	0	0	0	167,701
Table Rock Townsite	5,457	0	0	0	0	0	0	5,457
Taos	15,988	0	0	0	0	0	0	15,988
Tarkio	125,462	0	0	0	0	0	0	125,462
Thayer	306,384	0	0	0	0	0	0	306,384
Theodosia	40,487	0	0	0	0	0	0	40,487
Tipton	148,631	21,854	0	0	0	0	0	170,485
Town and Country	0	1,052,030	0	0	0	0	0	1,052,030
Trenton	626,724	310,428	0	0	0	0	0	937,152
Troy	1,328,996	0	652,140	0	0	0	0	1,981,136
Truesdale	14,885	0	0	0	0	0	0	14,885
Tuscumbia	9,234	0	0	0	0	0	0	9,234
Twin Oaks	0	149,776	0	0	0	0	0	149,776
Union	971,189	242,615	485,561	0	0	0	0	1,699,365
Unionville	134,393	0	0	0	0	0	0	134,393
University City	0	1,174,946	0	0	0	0	0	1,174,946
Urbana	25,748	0	0	0	0	0	0	25,748
Urich	47,172	0	0	0	0	0	0	47,172
Uplands Park	0	22,681	0	538	0	0	0	23,219
Valley Park	0	459,291	0	0	0	0	0	459,291
Van Buren	99,434	46,257	0	0	0	0	0	145,691
Vandalia	262,461	0	0	0	0	0	0	262,461
Vandiver	90,626	0	0	0	0	0	0	90,626
Velda	0	81,061	0	0	0	0	0	81,061
Velda Village Hills	0	66,747	0	0	0	0	0	66,747
Verona	12,490	0	0	0	0	0	0	12,490
Versailles	366,107	175,559	0	0	0	0	0	541,666
Viburnum	73,584	0	0	0	0	0	0	73,584
Vienna	82,702	0	40,267	0	0	0	0	122,969
Village of Four Seasons	107,376	0	0	0	0	0	0	107,376
Village of Indian Point	108,982	54,491	0	0	0	0	0	163,473
Vinita Park	0	169,760	0	1,738	0	0	0	171,498
Vinita Terrace	0	17,156	0	0	0	0	0	17,156
Walnut Grove	35,705	0	0	0	0	0	0	35,705
Wardell	13,361	0	0	0	0	0	0	13,361
Wardsville	14,598	0	0	0	0	0	0	14,598
Warrensburg	1,799,046	894,725	0	96,444	0	0	0	2,790,215
Warrenton	887,214	221,803	443,605	0	0	0	0	1,552,622
Warsaw	426,788	213,280	204,473	0	0	0	0	844,541
Warson Woods	0	154,913	0	0	0	0	0	154,913

Washburn	17,544	8,772	8,772	0	0	0	0	35,088
Washington	2,133,490	1,066,699	0	0	0	0	0	3,200,189
Waverly	33,252	0	0	0	0	0	0	33,252
Wayland	11,908	0	0	0	0	0	0	11,908
Waynesville	293,733	22,084	138,708	0	0	0	0	454,525
Weaubleau	22,971	0	0	0	0	0	0	22,971
Webb City	547,537	143,233	252,509	0	0	0	0	943,279
Webster Groves	0	673,894	0	0	0	0	0	673,894
Wellsville	55,068	15,589	27,482	0	0	0	0	98,139
Wellston	0	183,338	0	0	0	0	0	183,338
Wentzville	1,309,073	653,903	0	230,958	0	0	0	2,193,934
West Plains	2,018,113	1,008,979	0	0	0	0	0	3,027,092
Weston	120,390	0	0	3,208	0	0	0	123,598
Westphalia	28,268	0	0	1,816	0	0	0	30,084
Wheatland	11,034	0	0	0	0	0	0	11,034
Wheaton	45,428	0	0	0	0	0	0	45,428
Wilbur Park	0	2,880	0	0	0	0	0	2,880
Willard	186,629	93,325	0	7,917	0	0	0	287,871
Williamsville	16,800	5,824	0	0	0	0	0	22,624
Willow Springs	188,161	0	0	0	0	0	0	188,161
Windsor	190,527	0	0	0	0	0	0	190,527
Winfield	40,007	0	18,716	0	0	0	0	58,723
Winona	67,092	33,537	31,580	0	0	0	0	132,209
Woods Heights	19,015	0	0	0	0	0	0	19,015
Woodson Terrace	0	214,852	0	6,487	0	0	0	221,339
Wright City	129,325	30,803	61,779	0	0	0	0	221,907
Wyaconda	6,869	0	0	0	0	0	0	6,869
Wyatt	17,482	0	0	0	0	0	0	17,482
COUNTIES:								
Adair	0	0	0	0	1,140,698	0	0	1,140,698
Andrew	0	0	0	141,961	331,644	663,291	0	1,136,896
Atchison	0	0	0	0	0	546,895	0	546,895
Audrain	0	0	0	0	954,041	954,032	0	1,908,073
Barry	0	0	0	0	1,187,403	1,189,842	0	2,377,245
Barton	0	0	0	0	366,793	366,570	0	733,363
Bates	0	0	0	16,951	0	450,095	0	467,046
Benton	0	0	0	0	501,638	554,830	0	1,056,468
Bollinger	0	0	0	0	222,764	222,781	0	445,545
Boone	0	0	0	0	7,403,709	7,347,185	0	14,750,894
Buchanan	0	0	0	0	4,261,532	5,112,653	0	9,374,185

Butler	0	0	0	0	1,987,341	1,985,011	0	3,972,352
Caldwell	0	0	0	0	164,863	329,552	0	494,415
Callaway	0	0	0	0	0	1,124,916	0	1,124,916
Camden	0	0	0	0	2,859,206	2,842,127	0	5,701,333
Cape Girardeau	0	0	0	0	4,251,651	26	0	4,251,677
Carroll	0	0	0	0	257,164	0	0	257,164
Carter	0	0	0	0	139,596	139,597	0	279,193
Cass	0	0	0	0	2,619,937	429,831	0	3,049,768
Cedar	0	0	0	0	348,463	0	0	348,463
Chariton	0	0	0	15,968	207,449	207,854	0	431,271
Christian	0	0	0	0	1,388,082	2,082,085	0	3,470,167
Clark	0	0	0	0	162,629	324,556	0	487,185
Clay	0	0	0	0	10,727,485	5,538,291	0	16,265,776
Clinton	0	0	0	0	377,702	377,701	0	755,403
Cole	0	0	0	136,682	0	3,841,647	0	3,978,329
Cooper	0	0	0	0	516,473	774,696	0	1,291,169
Crawford	0	0	0	0	637,277	730,272	0	1,367,549
Dade	0	0	0	8,113	179,203	179,178	0	366,494
Dallas	0	0	0	0	431,901	863,803	0	1,295,704
Daviess	0	0	0	0	0	535,949	0	535,949
Dekalb	0	0	0	0	405,103	405,654	0	810,757
Dent	0	0	0	0	575,702	0	0	575,702
Douglas	0	0	0	0	272,097	272,039	0	544,136
Franklin	0	0	0	0	3,715,120	5,552,853	0	9,267,973
Gasconade	0	0	0	0	568,718	532,540	0	1,101,258
Gentry	0	0	0	0	0	250,752	0	250,752
Greene	0	0	0	0	15,885,391	0	0	15,885,391
Grundy	0	0	0	0	378,132	377,647	0	755,779
Harrison	0	0	0	0	0	699,613	0	699,613
Henry	0	0	0	0	854,878	0	0	854,878
Hickory	0	0	0	0	191,554	383,095	0	574,649
Holt	0	0	0	0	135,690	474,122	0	609,812
Howard	0	0	0	0	215,847	617,741	0	833,588
Howell	0	0	0	0	1,531,505	0	0	1,531,505
Iron	0	0	0	0	306,610	0	0	306,610
Jackson	0	0	0	0	34,954,292	17,986,718	0	52,941,010
Jasper	0	0	0	0	4,368,903	4,068,323	0	8,437,226
Jefferson	0	0	0	0	6,590,723	13,178,192	0	19,768,915
Johnson	0	0	0	0	1,439,555	2,762,788	0	4,202,343
Knox	0	0	0	0	110,554	221,107	0	331,661

Laclede	0	0	0	0	1,325,272	1,321,005	0	2,646,277
Lafayette	0	0	0	0	1,069,376	1,069,882	0	2,139,258
Lawrence	0	0	0	0	901,081	900,754	0	1,801,835
Lewis	0	0	0	56,270	217,810	435,386	0	709,466
Lincoln	0	0	0	0	1,172,163	3,056,784	0	4,228,947
Linn	0	0	0	0	470,323	470,324	0	940,647
Livingston	0	0	0	0	745,705	0	0	745,705
Macon	0	0	0	0	483,184	845,150	0	1,328,334
Madison	0	0	0	0	331,872	301,398	0	633,270
Maries	0	0	0	19,867	180,510	195,506	0	395,883
Marion	0	0	0	0	1,298,666	1,944,859	0	3,243,525
McDonald	0	0	0	0	530,969	486,292	0	1,017,261
Mercer	0	0	0	0	103,701	103,628	0	207,329
Miller	0	0	0	0	889,912	451,342	0	1,341,254
Mississippi	0	0	0	0	387,652	612,018	0	999,670
Moniteau	0	0	0	0	332,692	332,032	0	664,724
Monroe	0	0	0	27,279	228,927	228,909	0	485,115
Montgomery	0	0	0	0	348,539	522,433	0	870,972
Morgan	0	0	0	0	674,437	0	0	674,437
New Madrid	0	0	0	0	1,014,295	0	0	1,014,295
Newton	0	0	0	0	1,475,096	1,964,995	0	3,440,091
Nodaway	0	0	0	0	726,749	725,935	0	1,452,684
Oregon	0	0	0	0	296,023	296,026	0	592,049
Osage	0	0	0	0	330,420	0	0	330,420
Ozark	0	0	0	0	204,696	432,693	0	637,389
Pemiscot	0	0	0	0	565,723	0	0	565,723
Perry	0	0	0	0	778,849	60,980	0	839,829
Pettis	0	0	0	74,169	1,833,095	0	0	1,907,264
Phelps	0	0	0	0	1,696,055	744,794	0	2,440,849
Pike	0	0	0	0	515,115	562,171	0	1,077,286
Platte	0	0	0	347,795	3,258,162	2,709,248	0	6,315,205
Polk	0	0	0	0	0	1,632,917	0	1,632,917
Pulaski	0	0	0	0	887,987	887,985	0	1,775,972
Putnam	0	0	0	0	0	245,743	0	245,743
Ralls	0	0	0	0	324,903	324,879	0	649,782
Randolph	0	0	0	0	934,379	0	0	934,379
Ray	0	0	0	0	538,978	1,077,958	0	1,616,936
Ripley	0	0	0	0	0	333,988	0	333,988
Saline	0	0	0	0	837,287	826,206	0	1,663,493
Schuyler	0	0	0	0	115,025	230,131	0	345,156

Scotland	0	0	0	0	0	345,842	0	345,842
Scott	0	0	0	0	1,465,824	28	0	1,465,852
Shannon	0	0	0	0	165,249	0	0	165,249
Shelby	0	0	0	0	201,207	201,147	0	402,354
St. Charles	0	0	0	0	12,242,264	24,479,864	0	36,722,128
St. Clair	0	0	0	0	205,512	0	0	205,512
St. Francois	0	0	0	0	2,288,078	3,221,354	0	5,509,432
St. Louis	0	0	98,267,788	0	0	0	130,959,023	229,226,811
Ste. Genevieve	0	0	0	0	566,007	565,963	0	1,131,970
Stoddard	0	0	0	0	938,111	0	0	938,111
Stone	0	0	0	336,412	1,310,978	2,749,341	0	4,396,731
Sullivan	0	0	0	0	197,429	259,391	0	456,820
Taney	0	0	0	0	4,360,270	8,710,589	0	13,070,859
Texas	0	0	0	0	572,336	0	0	572,336
Vernon	0	0	0	0	701,624	0	0	701,624
Warren	0	0	0	0	804,932	2,412,377	0	3,217,309
Washington	0	0	0	0	500,960	1,502,584	0	2,003,544
Wayne	0	0	0	0	343,776	343,745	0	687,521
Webster	0	0	0	0	762,479	1,064,943	0	1,827,422
Worth	0	0	0	0	51,548	75,943	0	127,491
Wright	0	0	0	0	563,443	0	0	563,443
TOTALS	$ 355,063,920	121,406,493	211,430,271	10,066,669	172,394,673	159,765,912	130,959,023	1,161,086,961

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
SUMMARY OF FINDINGS

1. Sales and Use Tax Overpayments (pages 75-76)

   Overpayments of approximately $4.4 million were noted on the Missouri Integrated Tax System (MITS) which related to businesses that were closed and for which the deadline had passed for filing a refund application.

2. Sales and Use Tax Refunds (pages 76-77)

   Approximately $6 million is owed to the state's General Revenue Fund from other state funds and local funds because interest paid on refunds is not allocated to the other funds. For some sales tax refunds reviewed there was no indication that the vendor was going to return the sales tax or the related interest to the original customer.

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Sales and Use Tax collections of the Department of Revenue, Division of Taxation and Collection as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated November 13, 1998.

During our audit, we identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following Management Advisory Report should not be considered as all-inclusive of areas where improvements may be needed.

1. Sales and Use Tax Overpayments

Overpayments of sales and use taxes result from overpaid returns, amended returns, or audited returns. Overpayments may be applied as credits on taxes due or refunded as provided by Section 144.190, RSMo 1994. As of June 30, 1998, the Missouri Integrated Tax System (MITS) reflected overpayments totaling $35,688,283. Of this amount, $4,414,451 was for overpayments related to filing periods older than three years for businesses that have closed their sales and use tax registration. As a result, there will not be future taxes due which the overpayments could be applied against. The DOR notified the businesses of the overpayments when they originally occurred; however, the credits were not used prior to the businesses closing.

The department has a fiduciary responsibility to resolve overpayments for closed businesses. In addition, resolving the overpayments for closed businesses could relieve the administrative burden of continuing to track these amounts.

This condition was also noted in the prior report.

WE AGAIN RECOMMEND the department consult legal counsel to determine the appropriate disposition of overpayments related to closed businesses. In addition, overpayments related to closed businesses should be reviewed on a periodic basis.

AUDITEE'S RESPONSE

The Division of Taxation and Collection (Division) agrees with the recommendation. The Division will analyze possible solutions and will consider seeking funding for an "integrated tax system" that would systematically apply overpayments. In addition, the Division has consulted the department's General Counsel's Office to determine what appropriate legal action could be taken. Section 144.190 RSMo requires a claim for refund of the overpayment of sales/use taxes that were

erroneously or illegally overpaid. If no claim for refund is made within the statutorily prescribed time period, the "overpaid" taxes are no longer subject to credit or refund.

2. Sales and Use Tax Refunds

A. Sales and use tax refunds are made by issuing a check from the state's General Revenue Fund (GRF-S) to each taxpayer. To reimburse the GRF-S, adjustments are automatically made by MITS for the principal amount of the refunds due from other state and local funds. However, adjustments are not made to other state and local funds for the interest paid on sales tax refunds. As a result, the GRF-S does not receive reimbursement from other funds for their proportionate share of interest paid on refunds. Interest and penalties received on the payment of delinquent taxes are distributed to the various state funds and local governments. We are not aware of any state law which addresses the allocation of interest received on delinquent payments or interest paid on refunds. In the absence of such a law, the DOR should allocate interest paid on refunds and interest received on delinquent payments in the same manner. Based upon the percentage of distributions to state and local funds (exclusive of GRF-S) to total distributions to state and local funds, interest payments of approximately $2.6 and $3.3 million should have been allocated during the year ended June 30, 1998 and 1997, respectively, and is due to the GRF-S from other state and local funds.

B. Vendors collect sales tax taxes from their customers and remit the tax to the Department of Revenue (DOR). In recent years there has been a significant increase in the amount of sales tax refunds paid by the state. We reviewed six sales tax refunds totaling $248,666 (including interest) for which there was no indication in the files that the vendor was going to return the sales tax or the interest to the original customer. In addition, we reviewed ten sales tax refund files which did indicate the refund would be returned to the original customer; however, there was no documentation the department had ensured the refunds were actually returned to the original customer. Failure by the vendor to return the sales taxes and related interest to the customer results in a windfall for the vendor.

   We previously addressed this issue in our audit report for the two years ended June 30, 1994. Legislation was introduced in the 1997 legislative session that would have prohibited the refund or credit of sales or use tax erroneously collected by a retailer, unless it was demonstrated that all erroneously collected amounts had been refunded to the person that originally paid the tax. However, this provision was not approved by the General Assembly.

Condition A was noted in the three prior reports.

WE AGAIN RECOMMEND the department:

A. Ensure the GRF-S is reimbursed for other funds' pro rata share of interest paid on sales and use tax refunds. Consistently allocate interest paid on refunds and interest received on delinquent payments.

B. Continue to pursue legislation which would require sales tax refunds and related interest be returned to the original customer.

AUDITEE'S RESPONSE

A. The Division will review its current policy regarding interest refunding. Alternative methods for reimbursing the General Revenue Fund for the other funds' pro rata share of refund interest will be analyzed. The Division's goal of an "integrated tax system" would assist in the implementation of this recommendation.

B. The Division agrees with the recommendation. The Division will continue to pursue legislation which would require sales tax refunds and related interest be returned to the original purchaser.

This report is intended for the information of the management of the Department of Revenue, Division of Taxation and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Department of Revenue, Division of Taxation and Collection on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended June 30, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the agency should consider implementing these recommendations.

1. Sales and Use Tax Overpayments

As of June 30, 1996, the Missouri Integrated Tax System (MITS) reflected overpayments totaling $18,001,727. Of this amount, $3,177,906 was for businesses that have closed their sales and use tax registration. The DOR notified the businesses of the overpayments when they originally occurred; however, the credits were not used prior to the businesses closing.

Recommendation:

The department consult legal counsel to determine the appropriate disposition of overpayments related to closed businesses. In addition, overpayments related to closed businesses should be reviewed on a periodic basis.

Status:

Not implemented. See MAR No. 1.

2. Sales and Use Tax Refunds

A. Ten refunds reviewed totaling $2,576,018 (including interest of $670,589) had time delays in excess of one year between the application date for tax refund and the actual date of disbursement of the refund. Five of these refunds had time delays between one and two years and five had delays between two and three and a half years.

B. Adequate supporting documentation was not always required for refunds made to taxpayers.

C. We noted instances where several refund checks which the DOR requested for corrections of bonds pulled in error, monies deposited into the wrong account, and refund cleanup requests, had a taxpayer as the payee, but were endorsed with a DOR endorsement. The DOR had an informal policy requiring checks that will be endorsed by the DOR and deposited back into the state account be made payable to the DOR.

D. The General Revenue Fund-State (GRF-S) did not receive reimbursement from other funds for their proportionate share of interest on sales tax refunds.

E. IRS Forms 1099 were not prepared for the interest paid on sales and use tax refunds.

Recommendation:

The department:

A. Ensure refunds are processed and disbursed in a timely manner.

B. Require or maintain adequate supporting documentation prior to approving refunds for payment.

C. Establish and enforce a policy requiring checks that will be endorsed by the DOR and deposited back into state accounts be made payable to the DOR.

D. Ensure the GRF-S is reimbursed for other funds' pro rata share of interest paid on sales and use tax refunds. Consistently allocate interest paid on refunds and interest received on delinquent payments.

E. Report interest on sales and use tax refunds on Forms 1099 or provide the information necessary to enable OA to generate Forms 1099. In addition, the department should contact the IRS to determine appropriate reporting on refund principal which is not returned to the original customer.

Status:

A. Not implemented. Eight refunds reviewed totaling $2,613,603 (including principal of $1,923,713 and interest of $689,890) had time delays in excess of one year between the application date for the tax refund and the actual date of disbursement of the refund. However, for at least six of these refunds an audit was performed or additional information was requested from the vendor that appeared to justify the delay. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

D. Not implemented. See MAR No. 2.

E. Not implemented. DOR personnel indicated they have discussed developing a refund tracking system that would allow the agency to alert the IRS of principal and interest paid on sales and use tax refunds; this project was delayed while the year 2000 concerns were addressed. Although not repeated in the current report, our recommendation remains as stated above.

3. Internal Controls at Field Services Offices:

The Department of Revenue (DOR) has eight field offices located around the state which collect cash bonds and current and delinquent taxes, as well as provide assistance to taxpayers. During our visits to various field offices, we noted the following concerns:

A. An immediate record of receipts is not maintained for all monies received.
B. Monies received at the field offices were handled excessively prior to transmittal and deposit by the division.

Recommendation:

The department:

A. Require field service offices to maintain an immediate record of all monies received and reconcile it to the transmittals.

B. Reduce the handling of monies received prior to transmittal to central office by having a cash custodian maintain the monies. In addition, monies should be deposited intact into a local bank account and wire transferred to the DOR safekeeping bank account.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Revenue was created by Article IV, Section 22, of the 1945 Missouri Constitution. The department serves as the central collection agency for all state revenue. The Director of Revenue is appointed by the governor and must be confirmed by the Senate.

This Division of Taxation and Collection is responsible for the administration of Missouri's tax laws and processes and administers forms and reports for the collection of revenue due the state and local taxing jurisdictions. The Division has six bureaus and one office.

Central Processing Bureau

The Central Processing Bureau (CPB) is responsible for the initial processing of tax returns and related documents. Processing functions include receipt and extraction of the division's incoming mail, return analysis, cashiering and deposit, data entry and tax return error correction. The CPB monitors and tracks tax credits as well as accounts for all motor vehicle sales and use tax and drivers license transactions. In addition, the CPB is responsible for identifying and implementing new technologies, such as electronic filing, telefiling and imaging to facilitate and improve document processing.

Field Audit Bureau

There are two Field Audit Bureaus responsible for conducting field audits of businesses required to pay taxes to the State of Missouri. The in-state bureau includes seven in-state offices as well as the central support functions. The out-state bureau includes offices in Chicago, Dallas, New York and San Francisco.

Information Technology Bureau

The Information Technology Bureau (ITB) is responsible for the technical analysis, design, development and implementation of the division's data processing systems. The bureau provides quality assurance, program maintenance and technical support for electronic data processing communications, systems programming and data base administration. The ITB also provides personal computer software training, in-house programmer training and system training to division personnel. The ITB administers electronic media including an Internet web site and forms-by-fax for the division.

Tax Administration Bureau

The Tax Administration Bureau (TAB) is responsible for the administration of sales/use, financial institutions, insurance premiums, county fees, motor and special fuels, cigarette and other tobacco products, individual income, corporate income, withholding and estate taxes. The TAB also distributes locally imposed sales and use taxes to local jurisdictions, administers the registration and

issuance of business licenses to taxpayers; handles correspondence and taxpayer protests; processes amended returns; writes regulations; and pursues non-compliant taxpayers through its Nexus/Discovery programs.

Taxpayer Services Bureau

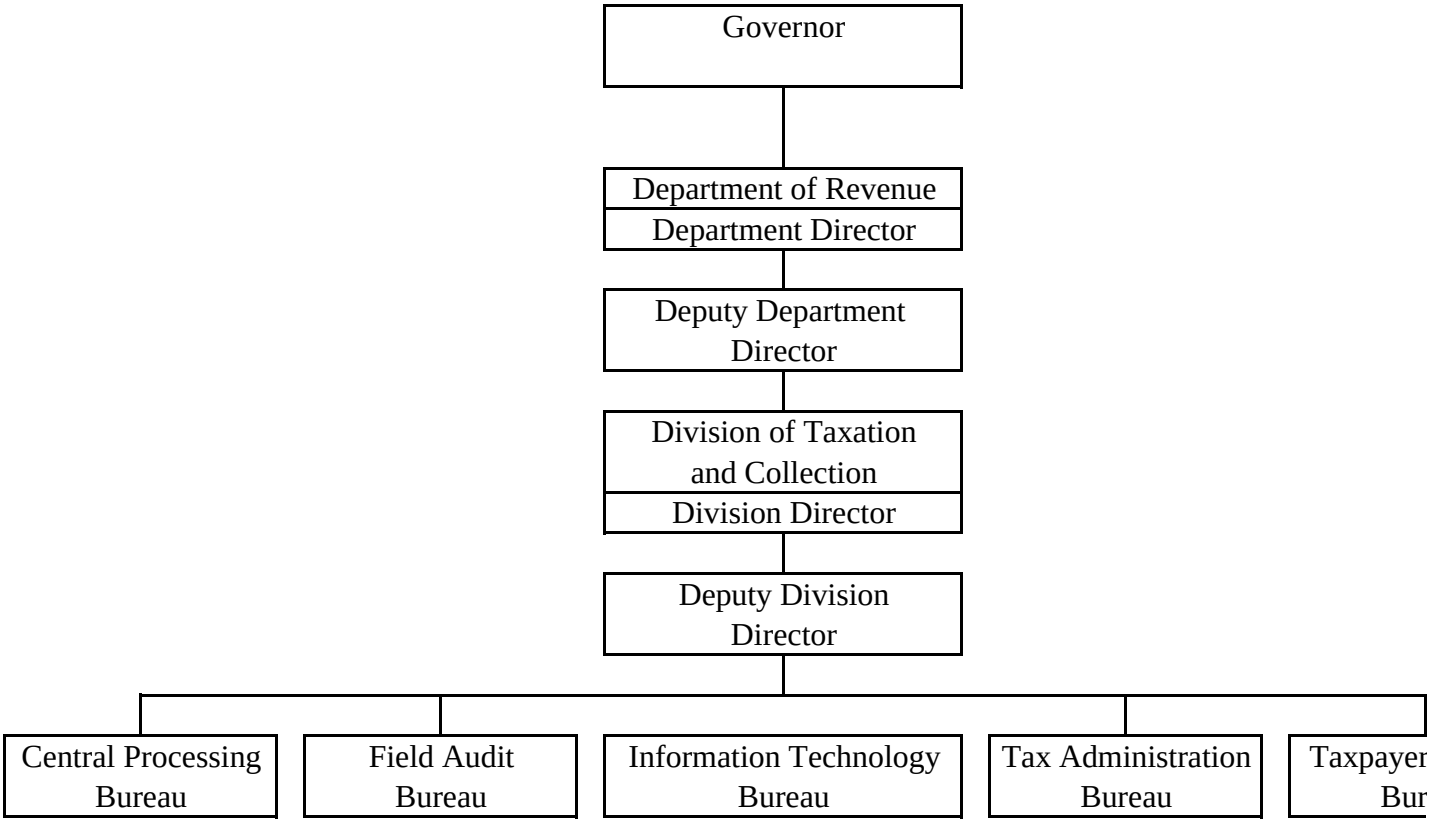
The Taxpayer Services Bureau is responsible for contacting individuals and businesses who have unpaid tax liabilities and for performing appropriate collection procedures. The bureau's collection activities include billing and assessing unpaid taxes, filing liens, pursuing bad checks, certifying delinquencies to local prosecuting attorneys and making referrals to independent collection agencies. This bureau is also responsible for providing assistance to taxpayers in seven regional offices within Missouri. This assistance includes answering questions, registering taxpayers, issuing business licenses, participating in taxpayer training programs and making field visits to taxpayers who are delinquent in paying their taxes.

Division Director's Office

The Division Director's Office is responsible for the overall administration of the five bureaus described above. This includes preparation of legislative testimony, fiscal note preparation to include administrative impacts and the preparation and completion of the division's budget. The Office of Accounting and Support is a sub unit of the Director's Office and is responsible for divisional accounting and financial statement preparation, document security enforcement, training, centralized filing systems, word processing and microfilming functions for division forms, publication orders and tax return design.

Robert Schemenauer served as the Director of the Division of Taxation and Collection from November, 1993 through March, 1998. Carol Fischer has served as Division Director since June, 1998.

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
ORGANIZATION CHART
JUNE 30, 1998



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PUBLIC WATER SUPPLY DISTRICT NUMBER 2

LACLEDE COUNTY, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-43
July 15, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to petitioners of Public Water Supply District Number 2, Laclede County, Missouri.

The district has not obtained annual audits as required by state law.

Improvements are needed in the district's budgeting. The financial statement prepared for the year ended December 31, 1998, did not agree to the district's accounting records. Accurate and complete budgets and financial statements are necessary to keep the district informed of the financial activity and condition of the district.

Accounting and bookkeeping duties are handled by the same person, in this case the water district clerk. An independent review of records by someone other than the clerk would provide a needed check on the district's finances.

The board president's wife was appointed clerk of the water district in February 1997. The board meeting minutes did not document whether or not the president participated in the appointment process.

The appointment or hiring of a relative by a public official is prohibited by the Missouri Constitution. Because of the serious consequences which can result by hiring a relative, namely the possible forfeiture of elected office, the circumstances surrounding the hiring of a district official's relative should be fully documented.

The minutes of the open public meetings do not adequately or clearly document all items discussed or decisions made by the board. Also, the minutes do not always document which board members are present at meetings. The minutes are the only official record of board actions. Inadequate minutes can lead to public confusion when actions of the board are reviewed.

Miscellaneous receipts, such as meter connection fees and sales tax collections, are not properly recorded. The balance of the meter deposit account is not reconciled to actual meter deposits. Payment methods are not always recorded and the board does not periodically review delinquent water accounts.

Gallons of water billed to customers are not reconciled to gallons of water pumped. This reconciliation is necessary to detect significant water loss and to ensure all water usage is properly billed.

The district does not have a written travel expense policy, and employee reimbursements are not always supported by adequate documentation of actual expenses.

YELLOW SHEET

PUBLIC WATER SUPPLY DISTRICT NUMBER 2
LACLEDE COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Directors
Public Water Supply District Number 2
Laclede County
Stoutland, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Public Water Supply District Number 2, Laclede County, Missouri. Our audit of the district included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

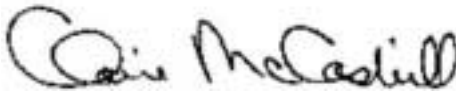
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes and various district financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the district.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and was not subjected to auditing procedures applied in the audit of the district.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of Public Water Supply District Number 2, Laclede County, Missouri.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

PUBLIC WATER SUPPLY DISTRICT NUMBER 2
LACLEDE COUNTY, MISSOURI
HISTORY AND ORGANIZATION

Public Water Supply District Number 2, Laclede County, Missouri, was established in 1966 and currently serves approximately 160 customers. The Board of Directors consists of five members who serve three-year terms. The Board of Directors elects a President and Vice President from the board membership.

Board Members	Term Expires	Surety Bond	Actual Compensation for the Year Ended December 31, 1998
Gene T. Allee, Board President	April 2001		$ 0
Vacant, Vice President*	April 2002		0
Estill Clay, Board Treasurer	April 2002		0
Bob Boatwright, Board Member	April 2001		0
T.C. DeGraffenreid, Board Member	April 2000		0

* Joe Hawkins resigned on December 17, 1998, and was replaced by Irven Kresse on January 18, 1999.

Other Officials			
Sondra Allee, Water Clerk/Board Secretary	$	45,000	7,100
Donald Stradt, Water District Manager**			3,325

**Prior to July 1998, Jerry Neal served as Water District Manager and was paid $4,588 in 1998.

The board members and other officials at December 31, 1998 were:
A summary of the financial activity of Public Water Supply District Number 2, Laclede County, Missouri, for the year ended December 31, 1998, is presented on the next page:

	General Fund	Meter Deposit Fund	New Water Project Fund	New Water Project Meter Deposit Fund
RECEIPTS				
Sales	$ 39,518	0	0	0
Interest	578	0	0	0
Penalties	389	0	0	0
New installations	1,750	0	0	0
Taxes	66	0	0	0
Meter deposits	0	1,325	0	200
Other	1,847	0	5,926	0
Transfers in	0	0	0	1,025
Total Receipts	44,148	1,325	5,926	1,225
DISBURSEMENTS				
Salaries	15,012	0	0	0
Insurance	1,481	0	0	0
Utilities	3,936	0	0	0
Repairs and maintenance	13,685	0	0	0
Supplies and equipment	8,944	0	0	0
Legal and election	4,320	0	0	0
Bond principal and interest	7,578	0	0	0
Interest	220	0	0	0
Refunds and other	0	440	5	30
Transfers out	0	0	1,025	0
Total Disbursements	55,176	440	1,030	30
RECEIPTS OVER (UNDER) DISBURSEMENTS	-11,028	885	4,896	1,195
CASH BALANCE, JANUARY 1,	28,399	2,976	0	0
CASH BALANCE, DECEMBER 31,	$ 17,371	3,861	4,896	1,195

MANAGEMENT ADVISORY REPORT

PUBLIC WATER SUPPLY DISTRICT NUMBER 2
LACLEDE COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Accounting Controls and Procedures (pages 8-10)

Accounting and bookkeeping duties are not adequately segregated and bank reconciliation procedures are not adequate. Miscellaneous receipts, such as meter connection fees and sales tax collections, are not adequately recorded. The balance of the meter deposit account is not reconciled to actual meter deposits. The method of payment is not always recorded. The board does not periodically review delinquent water accounts. Gallons of water billed to customers are not reconciled to gallons of water pumped. The board president and treasurer do not review related invoices or supporting documentation prior to signing checks. The board does not have a written bank depository agreement and a significant portion of the district's funds are maintained in non-interest bearing accounts.

2. Budgets, Financial Reporting, and Audits (pages 11-12)

Improvements are needed in the district's budgeting and financial statement documents and procedures. The district does not obtain annual audits as required by state law.

3. Minutes and Records (pages 12-13)

The board president's wife was appointed district clerk in February 1997, and the board minutes do not clearly document whether the president participated in the appointment process. Board minutes do not always document items discussed or decisions made by the board. Board minutes are not always signed or officially approved by the board. The district has not established a policy regarding public access to district records.

4. Expenditures and Payroll Matters (pages 13-15)

The district does not have written travel expense policies, and employee reimbursements are not always supported by adequate documentation of actual expenses incurred. Additional compensation of approximately $550 was paid to certain employees which was not reported on Forms W-2, and Forms 1099-Miscellaneous were not filed as required for payments totaling $12,390. Federal and state income taxes are not withheld from wages or salaries paid by the district.

1. Accounting Controls and Procedures

A. The water clerk collects payments, prepares deposits, records receipts, and prepares delinquent account notices. No independent review of these procedures is performed.

To safeguard against possible loss or misuse of funds, internal controls should provide for reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. An adequate system of internal controls requires segregation of duties. Since the district has only one administrative employee, segregation of duties may not be feasible. However, the Board of Directors should, at a minimum, designate someone independent of the process to perform and document periodic reviews of the records and procedures.

B. Formal bank reconciliations are not prepared by the district. At the end of the year, the district hires an accountant to prepare bank reconciliations for all twelve months of the year. For the year ended December 31, 1998, the accountant made adjustments totaling $528 to the district's accounting records for the General Fund as a result of errors that had not previously been identified. Also, in October 1998, a $300 deposit into the New Water Project Fund account was not recorded on the corresponding accounting records.

Section 247.100, RSMo 1994, indicates the board treasurer shall be the custodian of the district's funds. Therefore, the treasurer should receive the monthly bank statements and prepare or review the bank reconciliations.

Monthly bank reconciliations should be prepared by the board treasurer to ensure that all accounting records are in balance, transactions have been properly recorded, and any errors or discrepancies are detected in a timely manner. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

C. The district does not keep adequate records of hookup and meter connection fees, sales taxes, interest, and miscellaneous revenues collected. The district does not issue receipt slips or record individual receipts on a receipt ledger. In addition, there are no reconciliations between amounts received and amounts deposited. The district deposited $1,500 in meter connection fees during the year ending December 31, 1998; however, $1,750 was recorded as new installation fees on the district's financial statement. Also, the district recorded $2,600 as sales tax collections and miscellaneous revenues on its financial statement and the clerk indicated this amount was estimated. To properly account for all receipts, prenumbered receipt slips should be issued or receipts should be recorded on a ledger immediately upon receipt and the method of payment should be noted.

D. District residents are required to pay a $50 meter deposit before receiving water services. The clerk records the meter deposits in the checkbook register and the monies are deposited into a separate checking account. The district held $3,861 in the Meter Deposit Fund at December 31, 1998. Upon our request, the clerk prepared of listing of meter deposits on hand which identified $2,430 as customer deposits. The district needs to identify all customer deposits currently held by the district and keep the listing properly updated. The listing of meter deposits should be reconciled monthly to the meter deposits in the account to ensure that sufficient funds are available for the payment of all liabilities.

E. The district receives cash and checks for the payment of water bills. The billing stubs which accompany the payment serve as the district's initial record of the receipt; however, the method of payment (cash, check, money order, etc.) is not always recorded.

To ensure the proper handling and safeguarding of district monies, the method of payment should be indicated on the billing stubs and the composition of receipts should be reconciled to the composition of bank deposits.

F. The board does not periodically review delinquent accounts. Follow-up on delinquent accounts is performed by the district clerk; however, the district has some old delinquent balances dating back to 1996 and 1995. The district should perform monthly reviews of delinquent accounts and ensure appropriate follow-up procedures are performed. In addition, the board should review the old delinquent accounts for collectability and write off those amounts determined to be uncollectible.

G. The district does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The district does document meter readings from its pump, but some readings did not appear valid, such as current readings that were less than the previous month's readings.

To help detect any significant water loss on a timely basis and to help ensure all water usage is properly billed, the district should monthly prepare and maintain records of the total gallons of water pumped and reconcile them to the gallons of water billed. Significant differences should be investigated.

H. The district clerk prepares all checks which are signed by the board president or treasurer. Section 247.100.3, RSMo 1994, requires the board treasurer to disburse monies only upon warrants signed by the clerk and board president. Since the district does not use separate warrants, the checks should be signed by the clerk, president, and treasurer, or the clerk and president should document their approval for all payments.

I. At December 31, 1998, the district had five non-interest checking accounts totaling approximately $21,000. One checking account incurs monthly service charges. To maximize the interest earnings and to avoid bank service charges, the district should reduce the number of checking accounts and obtain interest bearing accounts.

WE RECOMMEND the Board of Directors:

A. Adequately segregate the accounting duties of the district clerk or designate someone independent of the process to perform and document periodic reviews of the records and procedures.

B. Ensure formal bank reconciliations are prepared monthly.

C. Ensure the clerk issues prenumbered receipt slips or maintains a receipt ledger and reconciles amounts received to amounts deposited.

D. Maintain a complete listing of meter deposits and periodically reconcile the listing to monies held by the district.

E. Record the method of payment received on corresponding billing stubs and reconcile the composition of receipts to bank deposits.

F. Review delinquent accounts on a monthly basis and write off any old uncollectible accounts.

G. Compare gallons of water pumped to gallons billed on a monthly basis. Any significant differences should be documented and investigated.

H. Require the signatures of the clerk, president, and treasurer on all checks, or require the clerk and president to document their approval for all payments.

I. Maintain district funds in interest bearing accounts when possible and reduce the number of checking accounts.

AUDITEE'S RESPONSE

A. We will try to find someone to periodically review the records.

B. We will try to implement this recommendation.

C. The clerk has already implemented this recommendation.

D.,E.,& G. We agree with these recommendations.

F. We agree and will review delinquent accounts at our monthly meetings.

H. We agree and will have the clerk and president indicate their approval for all payments.

I. We do not believe it is appropriate to earn interest on meter deposits, but we will check into obtaining interest checking for the other accounts. The bank service charges have already been stopped.

2. Budgets, Financial Reporting, and Audits

A. The district's annual budgets were not fully in compliance with Chapter 67 RSMo. For example, the budgets did not include a budget message nor comparative statements of revenues and expenditures for the two preceding years as required. Instead, only one year of comparative data was included. In addition, the board does not prepare reasonable budget estimates nor periodically compare actual revenues and expenditures to budgeted amounts. In 1998, the board did not budget for painting the water tower ($11,200) or legal and engineering expenses ($4,000), and under-budgeted salaries ($2,500) and supplies ($5,000). The district also pays some expenditures in January and early February before the budget is usually approved in February.

Budgets are a planning tool and should serve as a guide throughout the year to monitor revenues and expenditures. Section 67.010, RSMo 1994, lists items required in the budget, including a budget message and the two prior years' actual revenues and expenditures. Section 67.040, RSMo 1994, prohibits expenditures in excess of budgeted amounts unless budget amendments are approved by the board. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

B. The financial statement prepared for the year ended December 31, 1998, did not agree to the district's accounting records. The district recorded estimated depreciation expense of $12,000; however, the district has not established a permanent record of its fixed assets, nor does the district keep track of the accumulated depreciation. Also, the district recorded $5,540 as a loan payment when the actual payment was $7,358.

Accurate and complete financial statements are necessary to keep the district informed of the financial activity and condition of the district. In addition, the district should determine the cost or estimated cost of its fixed assets as a basis for computing depreciation expense.

C. The district does not obtain annual audits as required by Section 247.080, RSMo 1994. This provides requirements for boards of public water supply districts to have annual audits made of the receipts and expenditures of the district.

WE RECOMMEND the Board of Directors:

A. Prepare complete, timely, and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the district. In addition, actual expenditures should not exceed budgeted amounts unless appropriate budget amendments are approved, and no expenditures should be made prior to approval of the budgets.

B. Prepare accurate financial statements and establish records for fixed assets that include cost or estimated cost and accumulated depreciation.

C. Obtain annual audits as required by state law.

AUDITEE'S RESPONSE

We agree with these recommendations.

3. Minutes and Records

A. The current district clerk is the wife of the board president and is paid a salary of $600 per month (increased from $500 per month effective February 1998) to perform the duties of that office. This individual was appointed to this position at a board meeting in February 1997. Even though the board president indicated he abstained from voting on both the initial appointment and the subsequent salary increase, the board minutes did not clearly document that he abstained from voting.

The appointment or hiring of a relative by a public official is prohibited by the Missouri Constitution. Because of the serious consequences which can result by hiring a relative, the circumstances surrounding the hiring of a district official's relative should be fully documented.

Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so that the public has assurance that no district official has benefited improperly. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for district officials.

B. The district treasurer is currently a member of the Board of Directors. Section 247.070, RSMo 1994, requires the board to appoint a treasurer who is not a member of the board.

C. The minutes of the open public meetings do not adequately or clearly document all items discussed or decisions made by the board. Also, the minutes do not always document which board members are present at the meeting.

The minutes are the only official record of the action of the board. Care should be taken to ensure the minutes are complete and document discussions and specific intentions or reasons behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to the board's intentions and possible incorrect interpretation of the board's actions by the general public or other outside entities.

D. The board minutes are usually prepared and signed by the district clerk, but the minutes are not signed by the board president. The board minutes should be signed by the preparer and by the board president to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

E. Board minutes are not read and officially approved by the board members. Minutes should be read and approved by the board to ensure their correctness.

F. Although the district's original written operating policies state that records shall be open to inspection by any person owning land or residing within the district, the board should establish a formal policy regarding public access to district records which complies with state law. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo Cumulative Supp. 1998, lists requirements for making district records available to the public.

WE RECOMMEND the Board of Directors:

A. Ensure all appointments of individuals to district positions are documented in the board minutes and the district should avoid actual or apparent nepotism situations or conflicts of interest. If a relative of a district official is considered for appointment or the board is discussing a salary increase, that official should abstain from voting on the decision and that action should be fully documented in the official minutes. In addition, the board should consider adopting a code of conduct for district officials.

B. Appoint a treasurer who is not a member of the board, as required by state law.

C. Ensure board minutes are prepared containing all necessary information to provide a complete record of all significant matters discussed and actions taken by the board.

D. Ensure board minutes are signed by the clerk and board president to attest to the completeness and accuracy.

E. Read and approve board meeting minutes.

F. Establish policies and procedures regarding public access to district records which comply with state law.

AUDITEE'S RESPONSE

A. The board members who attended these meetings can verify that the board president abstained from voting on these matters; however, we agree that this was not documented.

B. We will attempt to find someone who will serve as treasurer.

C. We agree and the clerk has already been preparing more detailed minutes.

D-F. We agree and will implement.

4. Expenditures and Payroll Matters

A. The district does not have written travel expense policies, and reimbursements made to the three employees were not always supported by adequate documentation of actual expenses incurred. Most employee expense requests did not contain sufficient information such as the date of trip, trip origin, destination, and purpose. In one instance, the former maintenance employee was reimbursed $300 and did not provide

any supporting documentation for this reimbursement. Also, the employees are reimbursed for mileage at rates ranging from $.25 per mile to $.50 per mile.

Without written, documented policies, the types of expenses that can be incurred, the extent of those expenses which will be paid by the district and the appropriate payment mechanism for the expenses may not be known. In addition, adequate documentation of employees' expenses is necessary to help ensure the propriety of payments made for travel expenses.

B. The district's current and former maintenance employees were allowed to perform additional duties beyond the regular scope of work, including installing security bars at the district office, and major water line repair projects. The additional payments, totaling about $550 in 1998, were not always supported by time sheets or other documentation of additional hours worked. In addition, the additional compensation was not reported on Forms W-2 and payroll taxes were not withheld from the payments.

Additionally, the district does not issue Forms 1099-MISC to individuals or unincorporated businesses which provide services to the district. During the year ended December 31, 1998, the district paid a non-incorporated business $11,200 for repairing and painting the water tower and an individual $1,190 for excavating work.

The Internal Revenue Code (IRC) generally indicates individuals treated as employees should have all compensation reported on Forms W-2. The IRC further requires payments totaling $600 or more in a year to non-employees and businesses which are not corporations be reported on Forms 1099-MISC. In addition, time sheets or other documentation of time worked should be retained for all payments to employees.

C. The district did not withhold federal or state income taxes from approximately $15,000 of employees' wages in 1998. The Internal Revenue Code requires employers to withhold federal income taxes and Section 143.191, RSMo 1994, requires employers to withhold state income taxes from wages.

WE RECOMMEND the Board of Directors:

A. Adopt written travel expense policies and require detailed travel expense reports prior to payment. These reports should include information such as trip date, origin, destination, and purpose, and should contain sufficiently detailed receipts to ensure the district reimburses only valid employee expenses.

B. Report all compensation paid to employees on Forms W-2 and non-employees on Forms 1099-MISC and amend previous years' Forms W-2 to reflect compensation amounts not originally included on the forms. In addition, the board should require time sheets or other documentation for all payments to employees.

C. Ensure federal and state income taxes are properly withheld and remitted for any wages or salaries paid.

AUDITEE'S RESPONSE

A&B. We agree and will implement.

C. We will look into this.

This report is intended for the information of the district's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

CITY OF LAKE LAFAYETTE, MISSOURI

YEAR ENDED SEPTEMBER 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-42
June 28, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Lake Lafayette, Missouri.

NOTE: Recommendations, as well as responses from the city, which correspond with the findings below are included in the audit.

The city has not adequately pursued the collection of delinquent property taxes. The city had delinquent tax bills totaling approximately $11,000 as of April 1999. It appears this amount represents the total amount of property taxes which have not been paid since the establishment of the city in 1994.

Formal collection procedures should be established related to delinquent property taxes and delinquent accounts should be pursued on a timely basis.

Annual reports are not prepared summarizing the amount of property taxes collected as well as those that remain delinquent, and the city has not established the annual property tax rates by ordinance as required by state law.

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

Bids were either not solicited or bid documentation was not retained for some expenditures. The city approved expenditures in excess of the approved budget for the General Fund. The city did not have formal written agreements for various contracted services.

-over-

The city purchased several items for the Lake Lafayette Landowners Association which resulted in sales tax not being properly paid. The association traded two tractors, which had previously been given to the city, without the city's approval. The city's written agreement with the association does not include provisions regarding the rental of the city hall building.

Accounting duties are not adequately segregated. Deposits are not made on a timely basis. Checks and money orders are not restrictively endorsed immediately upon receipt. The Mayor and Aldermen can sign checks, but are not bonded.

Semi-annual financial statements have not been published as required by state law. The board minutes are not signed by either the City Clerk or the Mayor.

CITY OF LAKE LAFAYETTE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Lake Lafayette
Lake Lafayette, Missouri 64076

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Lake Lafayette, Missouri. Our audit of the city included, but was not limited to, the year ended September 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

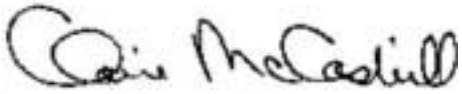
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Lake Lafayette, Missouri.



Claire McCaskill
State Auditor

March 12, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF LAKE LAFAYETTE, MISSOURI
HISTORY AND ORGANIZATION

The city was incorporated in 1994 as a fourth-class city and is located in Lafayette County. The population of the city is approximately 270.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at September 30, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended September 30,1998	Amount of Bond
Darrell Sunderland, Mayor (1)	April 1999	$ 0	
Mike Betts, Alderman (2)	April 1999	0	
Harold Evatt, Alderman	April 2000	0	
Laura Mullins, Alderwoman	April 2000	0	
John Silvers, Alderman (3)	April 1999	0	

(1) Reelected in April 1999.
(2) Replaced Mike Loeffler who resigned in May 1998. Reelected in April 1999.
(3) Replaced Kirk Knabe who resigned in January 1998. Reelected in April 1999.

Other Principal Officials		
Shirley Coon, City Clerk	0	$10,000
Bill Riley, Chief of Police/City Collector (4)	822	
Chris Dorrance, City Attorney	1,965	

(4) Burnice Johnston was hired to replace Bill Riley in December 1998.

In addition to the officials listed above, the city has six part-time employees.

Assessed valuation and tax rate information for tax years 1998 and 1997 are as follows:

ASSESSED VALUATION

	1998	1997
Real estate	$ 1,321,014	1,270,512
Personal property	274,119	246,384
Total	$ 1,595,133	1,516,898

TAX RATES PER $100 ASSESSED VALUATION

General	$ 1.00	1.00

A summary of the financial activity of the city of Lake Lafayette for the year ended September 30, 1998, is below:

		General Fund	
RECEIPTS:			
Property taxes	$	13,745	
Sales taxes from county		1,550	
Motor fuel taxes		10,569	
Traffic fines		1,092	
Permits and city stickers		1,195	
Payments from Landowners Association		23,032	
Police radio grant		2,973	
Interest		783	
Other		688	
Total Receipts		55,627	
DISBURSEMENTS:			
Salaries and fringe benefits		7,977	
Law enforcement contract		8,500	
Utilities		5,290	
Grader rental		1,750	
Legal services		2,015	
City hall rental		3,600	
Equipment purchases and maintenance		8,324	
Fuel		1,373	
Street materials and labor		13,485	
Office supplies and postage		1,290	
Animal control		889	
Insurance		2,052	
Snow removal		700	
Other		921	
Total Disbursements		58,166	
Receipts Over (Under) Disbursements		-2,539	
Cash Balance, October 1, 1997		16,133	*
Cash Balance, September 30, 1998	$	13,594	*

* Included in the October 1, 1997 and September 30, 1998 balances is $321, representing the balance of the Building Fund at those dates. There was no activity in that fund during fiscal year 1998.

MANAGEMENT ADVISORY REPORT

CITY OF LAKE LAFAYETTE, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 9-10)

   Bids were either not solicited or bid documentation was not retained for some expenditures. The city approved expenditures in excess of the approved budget for the General Fund. The city did not have formal written agreements for various contracted services.

2. Transactions With Landowners Association (pages 10-11)

   The city purchased several items for the Lake Lafayette Landowners Association which resulted in sales tax not being properly paid. The association traded two tractors, which had previously been given to the city, without the city's approval. The city's written agreement with the association does not include provisions regarding the rental of the city hall building.

3. Accounting Controls and Procedures (pages 12-13)

   Accounting duties are not adequately segregated. Deposits are not made on a timely basis. Checks and money orders are not restrictively endorsed immediately upon receipt. The Mayor and Aldermen can sign checks, but are not bonded.

4. Property Tax Procedures (pages 13-14)

   Annual reports are not prepared summarizing the amount of property taxes collected as well as those that remain delinquent. The city has not adequately pursued the collection of delinquent property taxes. The city has not established the annual property tax rates by ordinance.

5. Financial Reporting and Minutes (pages 14-15)

   Semi-annual financial statements have not been published as required by state law. The board minutes are not signed by either the City Clerk or the Mayor.

6. Street Maintenance Plan (page 15)

   An annual maintenance plan for city streets has not been prepared.

1. Expenditures

A. The city has established a purchasing policy by ordinance which requires all purchases of supplies and contractual services to be competitively bid whenever possible. This policy requires the city to advertise for sealed competitive bids for any purchases of goods and services in an amount of $3,000 or more. According to city officials, bids are generally solicited by telephone; however, it appears documentation of bids received is not always retained. Bids were either not solicited or bid documentation was not retained for the following expenditures during the year ended September 30, 1998:

Gravel	$7,532
Gravel hauling	2,886
Mowing	720

Bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business. Complete documentation should be maintained of all bids received and the reason noted why the applicable bid was selected.

B. During the year ended September 30, 1998, the city approved expenditures in excess of the approved budget for the General Fund by approximately $500. The city did not prepare an amended budget nor did the city set forth any reason(s) for exceeding the budgeted amount in the board minutes or adopt a resolution authorizing the additional expenditures.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If there are valid reasons which necessitate excess expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such.

C. The city has not entered into written contracts for various contracted services received. For example, the city has not entered into formal written contracts for legal services or animal control.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the Board of Aldermen:

A. Ensure bids are solicited for all applicable purchases in accordance with the city's purchasing policy. Documentation of the bidding process should be maintained in all cases. If the city believes it is not practical to obtain bids on certain purchases, documentation explaining the circumstances should be maintained.

B. Ensure expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the increase and reasons for such should be adopted.

C. Ensure formal written contracts are entered into for services obtained by the city.

AUDITEE'S RESPONSE

A-C. The Board of Aldermen concurs.

2. Transactions With Landowners Association

The property owners of the city pay annual dues to the Lake Lafayette Landowners Association (the association), a private not-for profit corporation. The association existed for a number of years prior to the city's incorporation and it appears the city has worked closely with this entity since the incorporation of the city in 1994. The association has responsibility for maintaining the parks and lakes within the city, while the city maintains the streets and provides law enforcement services. The association has helped support city operations by providing funding to the city. The city in turn, has paid the association for the use of certain association owned property. A review of the financial activity between the city and the association disclosed the following concerns:

A. During the year ended September 30, 1998, the city purchased several items for the association at a total cost of approximately $3,280. Most of this amount related to a piece of equipment for the association's road grader. The association reimbursed the city for the amount of these purchases. Because of the city's tax exempt status, the association effectively avoided paying sales tax on these purchases.

Although the Mayor indicated these purchases were not made in order that the association avoid paying sales taxes, the city should not allow such expenditures to be incurred using its sales tax-exempt status. Doing so violates the terms of the city's sales tax exemption letter.

B. In August 1995, the association and the city signed an agreement granting the city full title and ownership rights to two tractors owned by the association. The city has used the tractors to maintain the streets, and expended over $300 in repairs to the tractors during fiscal year 1998. However, in August 1998, the association traded these two tractors for another tractor without approval of the city. According to the Mayor, at the time of the trade the current city officials were unaware of this agreement, and did not know the city owned the tractors.

The city should ensure that equipment used by both the city and the association is clearly identified as to proper ownership and that those ownership rights are considered prior to the equipment being disposed of or traded.

C. The association owns the building which the city uses for its city hall and the city pays rent of $300 per month for the use of this building. Although the city and the association have entered into a written agreement documenting the services provided by the city, the amount of funding provided by the association, and the charges to be paid by the city to use the association's road grader, the city's rental of the city hall building is not included in the provisions of the agreement.

Section 432.070, RSMo 1994, requires all contracts of the city to be in writing. The city should review the current agreement with the association and revise it to include provisions regarding the rental of the city hall building and any other financial activity not addressed by the agreement.

WE RECOMMEND the Board of Aldermen:

A. Refrain from purchasing items for the association (or any other private entity or individual) which results in the payment of sales tax being avoided.

B. Ensure equipment used by both the city and the association is clearly identified as to proper ownership and that these ownership rights are considered prior to the equipment being disposed of or traded.

C. Review the formal agreement with the association and revise it to include provisions regarding the rental of the city hall building and any other financial activity not addressed by the agreement.

AUDITEE'S RESPONSE

A. The Board of Aldermen concurs.

B. The Board of Aldermen concurs. The board indicated it will establish and maintain an inventory of property owned by the city to help implement this recommendation.

C. The Board of Aldermen concurs and indicated it is in the process of implementing this recommendation.

3. Accounting Controls and Procedures

A. The City Clerk performs all accounting and record keeping duties of the city and essentially serves as City Treasurer and City Collector as well as City Clerk. While the Board of Aldermen has appointed the Chief of Police to serve as City Collector, it appears that individual is not involved in the accounting, collection, or record keeping of property taxes or any other revenues. The City Clerk collects all receipts, maintains receipt and disbursement records, makes bank deposits, co-signs checks, reconciles the bank accounts, and serves as secretary to the board.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. Having one person responsible for the duties of all three of these offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

If the duties cannot be adequately segregated, the board should ensure an independent review of the functions performed by the City Clerk is performed on a periodic basis. This review should include, but not necessarily be limited to, someone other than the City Clerk reviewing the cancelled checks, bank statements, and bank reconciliations, and comparing recorded receipts to bank deposits.

B. Deposits are not made on a timely basis. During the year ended September 30, 1998, deposits were generally made only three times a month, with deposits averaging over $1,000.

To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed $100.

C. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. The Mayor and Aldermen are all authorized to co-sign checks. None of these individuals are bonded.

The city should consider reducing the number of individuals authorized to sign checks. In addition, failure to adequately bond all persons with access to assets exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

A. Consider appointing separate individuals to be responsible for the duties of the City Collector and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

B. Ensure deposits are made on a daily basis or when accumulated receipts exceeds $100.

C. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

D. Consider reducing the number of individuals authorized to sign checks and obtain bond coverage for any city officials with check signing authority.

AUDITEE'S RESPONSE

A. The Board of Aldermen indicated it will establish an independent periodic review of the records.

B. The Board of Aldermen indicated it will try to ensure monies are deposited on a timely basis.

C. The Board of Aldermen indicated this recommendation has already been implemented.

D. The Board of Aldermen indicated the number of authorized check signers has already been reduced and it will consider obtaining bond coverage for all those individuals.

4. Property Tax Procedures

A. The City Clerk's duties include collecting and depositing property tax receipts. Annual reports are not prepared summarizing the amount of property taxes collected as well as those that remain delinquent.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of the delinquent taxes. Section 94.330, RSMo 1994, also provides that the board may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

Annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.

B. The city has not adequately pursued the collection of delinquent property taxes. The city had delinquent tax bills totaling approximately $11,000 as of April 1999. It appears this amount represents the total amount of property taxes which have not been paid since the establishment of the city in 1994.

To help ensure prompt collection of property taxes, the city should establish formal procedures regarding the collection of delinquent property taxes. This might include the advertisement and sale of the applicable real estate as provided under Chapter 140, RSMo 1994.

C. The city has not established the annual property tax rates by ordinance as required by Section 94.210, RSMo 1994.

WE RECOMMEND the Board of Aldermen:

A. Require annual reports of property taxes collected and delinquent be prepared as required by state law.

B. Ensure formal collection procedures related to delinquent property tax bills are established and that delinquent accounts are pursued on a timely basis.

C. Establish the annual property tax levy by ordinance as required by state law.

AUDITEE'S RESPONSE

A-B. The Board of Aldermen concurs.

C. The Board of Aldermen concurs and indicated this recommendation was implemented for 1999.

5. Financial Reporting and Minutes

A. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165 RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.

B. Board minutes are prepared by the City Clerk; however, they are not signed by either the City Clerk or the Mayor. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the Board of Aldermen:

A. Ensure semiannual financial statements are published in accordance with state law.

B. Ensure board minutes are properly signed by the City Clerk and the Mayor to attest to their completeness and accuracy.

AUDITEE'S RESPONSE

A-B. The Board of Aldermen concurs.

6. Street Maintenance Plan

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Aldermen concurs.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

ST. CHARLES R-VI SCHOOL DISTRICT

ST. CHARLES COUNTY, MISSOURI

YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-41
June 28, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following findings are a result of an audit conducted by our office in response to the request of petitioners from the St. Charles R-VI School District, in St. Charles County, Missouri. The Yellow Sheet points out those findings the state auditor found particularly noteworthy.

During the last five years, the district has experienced growth in the revenues and expenditures of its operating funds. Despite the growth in district revenues, the district has spent more than it received three out of the last five years resulting in a decline of ending balances in its operating funds.

During the two years ended June 30, 1998, the district was designated "Financially Stressed" by the Missouri Department of Elementary and Secondary Education (DESE). *"Financially Stressed" means the district's operating fund balances are below three percent of the expenditures in its operating funds*.

Prior to the 1998-99 school year, the district entered into agreements with the teachers, administrators, and support staff that required the school district to distribute as supplemental payments to all three groups any "excess balances" in excess of five percent in the operating funds at the end of the year. The district distributed approximately $667,000 in September 1995 for "excess balances" accumulated during the 1994-95 school year. The restrictive agreements prevented the district from accumulating reserves in excess of five percent in the operating funds.

By maintaining such small ending balances in the operating funds, the district severely limited its ability to handle any unexpected shortfalls in revenue or unforseen expense. To ensure the district resources are adequate, the district should develop adequate reserves and review any restrictive agreements that limit the district's operating balances.

The district did a poor job budgeting and monitoring its financial position for the 1996-97 school year. The district has done a better job monitoring its financial position beginning with the 1997-98 school year and utilizing the budget document as a tool to monitor and control district finances. Financial reports currently identify the district's financial position and any significant changes that are reflected in board approved budget adjustments. **The approved 1998-99 budget projects balances in operating funds will be sufficient to remove the district from being categorized as "Financially Stressed"**.

Although improvement has been noted, the district continues to have some problems documenting approval of all change orders and work orders to its construction projects. The district has an informal policy stating board approval is necessary for all change orders and work orders.

YELLOW SHEET

(over)

The written policy allows the Superintendent to approve any change orders or work orders not exceeding $25,000 with a report to follow at the next scheduled board meeting. During our review, we noted four change orders and work orders, totaling $61,800, which had not been approved by the school board. Three of the orders had been approved by the Superintendent; however, there was no board approval as required by district policy.

The district hired a firm to serve as both the architect and construction manager for all of its construction projects. This situation did not allow for an independent review of designs.

Bids were not obtained or bid documentation was not kept for several of the district's purchases, including its transportation contract, the finishing work of the district's building trade house, and the lease of modular units used for temporary classrooms.

In regard to the modular units, had the district lease-purchased or purchased the units, the district could have saved between $181,000 and $203,000 on one lease and approximately $185,000 on a second lease.

Our review of the district also found that the administrators' salary schedule is not utilized by the district. Improvements are needed for procedures dealing with the distribution of intent letters to teachers, and documentation of employee termination records.

About the District:

The district operates two high schools (9-12), two middle schools (6-8), and seven elementary schools (K-5), an area vocational technical school, an administrative/adult education-customized training center, maintenance and receiving center and a building for an "at-risk" program. Enrollment was approximately 6,620 for the 1997-98 school year. The district employees approximately 716 full and part-time employees, including 25 administrators, 470 teachers, and 221 support staff.

ST. CHARLES R-VI SCHOOL DISTRICT

ST. CHARLES COUNTY, MISSOURI

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
St. Charles R-VI School District
St. Charles County, MO 63303

The State Auditor was petitioned under Section 29.230, RSMo, to audit the St. Charles R-VI School District. The school board had engaged Wade, Stables, Schanbacher and Walker, P.C., Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 1998. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA. Our audit of the school district included, but was not limited to, the year ended June 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, school district policies, and various school district financial records.

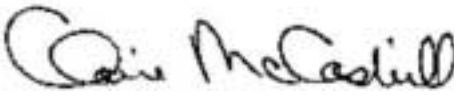
Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization and Appendices are presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our audit of the district.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the St. Charles R-VI School District.



Claire McCaskill
State Auditor

February 18, 1999

HISTORY AND ORGANIZATION

ST. CHARLES R-VI SCHOOL DISTRICT
ST. CHARLES COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The St. Charles R-VI School District is located in northeast St. Charles County and covers approximately 17 square miles.

The district operates two high schools (9-12), two middle schools (6-8), and seven elementary schools (K-5), an area vocational technical school, an administrative/adult education-customized training center, maintenance and receiving center and a building for an "at-risk" program. Enrollment was approximately 6,620 for the 1997-98 school year. The district employs approximately 716 full and part-time employees, including 25 administrators, 470 teachers, and 221 support staff.

St. Charles R-VI School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 1998 and their current terms of office are:

Name and Position	Current Term Expires
Dr. Wayne Oetting, President (1)	April 1999
Dennis Black, Vice President (2)	April 2001
Jerry Reese, Secretary (1)	April 1999
Diane Rallo, Treasurer	April 2000
Marta Baier, Member (3)	April 1999
Jan Beardsley, Member (4)	April 2001
Brian Bredensteiner, Member	April 2000

Other Principal Officials	Annual Compensation
Dr. Terry Holder, Superintendent	$ 105,000 (5)
Dr. Ed Musgrove, Assistant Superintendent of Human Resources/Building and Grounds	83,000
Wayne Brower, Assistant Superintendent of Business	72,500
Dr. John Urkevich, Assistant Superintendent of Curriculum	79,847
Dr. Roberta Brennan, Director of Student Services	69,198

(1) Re-elected in April 1999 to another three-year term.
(2) Dennis Black was elected Board President after the April 1999 election.
(3) Dennis Hahn was elected to the board in April 1999, replacing Marta Baier.
(4) Elected to the board in April 1998, replacing Jean Meyer. Jan Beardsley was elected Board Vice President after the April 1999 election.
(5) The Superintendent also received a $9,500 annuity.

Assessed valuation and tax rate information for the school district were as follows:

	1998	1997
Assessed Valuation	$551,904,343	$497,101,899
Tax Rate	4.01	4.06

MANAGEMENT ADVISORY REPORT

ST. CHARLES R-VI SCHOOL DISTRICT
ST. CHARLES COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Financial Condition (pages 10-12)

   The district has experienced a decline in the financial condition of its operating funds (General Fund and Special Revenue Fund) and has been designated a "Financially Stressed" school district by the Department of Elementary and Secondary Education for the two years ended June 30, 1998.

2. Construction Projects (pages 12-14)

   Although improvement has been noted, the district continues to have some problems documenting approval of all change orders and work orders to its construction projects. In addition, the district did not retain bid documentation at the district on the construction projects.

3. Architect and Construction Manager (pages 14-15)

   The district hired a firm to serve as both the architectural firm and construction management firm. This situation did not allow for an independent review of the design. In addition, the district entered into a contract with the firm that required all payments to be made through the construction management firm, instead of directly to the contractors providing the actual construction work.

4. Expenditures (pages 15-18)

   Bids were not obtained or bid documentation retained for several of the district's purchases, including the transportation contract, the lease of the modular units, and finishing work of the district's building trade house. Written agreements were not obtained for some professional services. Supporting documentation was not adequate for some expenditures.

5. Budgeting Procedures (pages 18-20)

   The district overspent its approved budget amounts in various funds during the last several years. The district's budget for the year ended June 30, 1997, did not present an accurate estimate for the financial activity of the district and contained numerous errors and inconsistencies.

6. Modular Unit Lease Agreements (pages 20-21)

   The district did not adequately review the options for the modular classrooms. The district leased the units and paid almost as much had the district purchased the units outright. The lease agreement required the district to return the units at district expense totaling approximately $98,000.

7. Personnel Procedures (pages 21-22)

The district's administrators' salary schedule is not utilized by the district. Improvements are needed in the district's procedures for sending letter of intent to teachers and documenting employee termination records with the district. The district does not have a policy prohibiting employees being supervised by their relatives.

8. Petty Cash and Soda Machine Funds (pages 23-24)

Improvements are needed with the accounting controls over the district's petty cash and soda machine monies.

ST. CHARLES R-VI SCHOOL DISTRICT
ST CHARLES COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

1. Financial Condition

During the last five years, the district has experienced growth in the revenues and expenditures of the operating funds (General Fund and Special Revenue Fund). Despite the growth in district revenues, the district has spent more than it received three out of the last five years resulting in a decline of the district's ending balance. A review of the financial condition of the district's operating funds indicates the district's operating fund balances have declined over the past several years as shown below:

	Year Ended June 30,				
	1998	1997	1996	1995	1994
Beginning balance	$ 559,271	1,996,881	2,307,121	1,737,403	2,293,207
Receipts	43,546,868	40,626,197	39,393,246	36,678,588	34,603,685
Expenditures	(42,928,679)	(41,858,540)	(39,619,948)	(35,970,800)	(35,160,201)
Net Transfers	(224,508)	(205,267)	(83,538)	(138,070)	712
Ending balance	$ 952,952	559,271	1,996,881	2,307,121	1,737,403
Ending Balance as a Percentage of Expenditures	2.22%	1.34%	5.04%	6.41%	4.94%

During the two years ended June 30, 1998, the district was designated "Financially Stressed" by the Missouri Department of Elementary and Secondary Education (DESE). "Financially Stressed" means the district's balances of its operating funds are below three percent of the expenditures in its operating funds. During our review of the financial condition of the district, the following areas were noted that contributed to the overall financial decline of the district:

A. Prior to the 1998-99 school year, the district entered into agreements with the teachers, administrators, and support staff that required the school district to distribute as supplemental payments to the teachers, administration, and support staff any "excess balances" in excess of five percent in the operating funds at the end of the year. The district distributed approximately $667,000 in September 1995 for "excess balances" accumulated during the 1994-95 school year. The restrictive agreements prevented the district from accumulating reserves in excess of five percent in the operating funds.

By maintaining such small ending balances in the operating funds, the district has severely limited its ability to handle any unexpected shortfall in revenue or unforseen expense. To

ensure district resources are adequate, the district should develop adequate reserves and review any restrictive agreements that limit the district's operating balances.

B. The district did a poor job budgeting and monitoring its financial position for the 1996-97 school year. As shown below, the district did not make the necessary adjustments to maintain an adequate ending fund balance.

	Year Ended June 30, 1997		
General Fund	Original Budget	Actual	Difference
Beginning balance	$ 1,446,788	1,552,300	105,512
Revenue	16,551,548	18,556,064	2,004,516
Expenditures	(16,512,552)	(18,626,261)	(2,113,709)
Transfers	0	(922,832)	(922,832)
Ending balance	$ 1,485,784	559,271	(926,513)
Special Revenue Fund			
Beginning balance	$ 432,875	444,581	11,706
Revenue	22,519,683	22,070,133	(449,550)
Expenditures	(23,022,680)	(23,232,279)	(209,599)
Transfers	0	717,565	717,565
Ending balance	$ (70,122)	0	70,122

The budget is an important document for a school district. It provides a definite financial policy for the operations of the district and must be prepared carefully and thoroughly to encompass the broad spectrum of events and activities which occur during a fiscal year. Further, a complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing cost expectations for each area and provide a means to effectively monitor actual costs. By properly monitoring the budget, the district can compare revenue and expenditure projections to actual results and make appropriate changes as needed.

The district has demonstrated a better job monitoring the financial position of the district beginning with the 1997-98 school year and utilizing the budget document as a tool to monitor and control the district finances. Financial reports currently identify the district's financial position and any significant changes that are reflected in board approved budget adjustments. The approved 1998-99 budget projects that the district balances will be sufficient in the operating funds to no longer be designated "Financially Stressed".

WE RECOMMEND the School Board develop adequate balances in the district's operating funds and review any restrictive agreements that prevent the district from establishing reasonable balances. In addition, the district needs to continue to develop annual budgets that more accurately reflect the district's anticipated activity. The district should monitor the district's financial position

in a timely manner and make any necessary adjustments to ensure compliance with the district's financial constraints.

AUDITEE'S RESPONSE

A. The district will end the 1998-99 fiscal year with an approximate balance of $2,000,000 and is "on target" to meet the Board's goal of a nine percent balance by the end of the fiscal year 2002-2003 (based on the statutory formula for determining financial stress). A $450,000 surplus has been planned in the 1999-2000 budget. The district is projected to end the fiscal year with a six percent balance. All restrictive language has been eliminated from the current "meet and confer" agreement. In addition, the district has made significant modifications to the early retirement incentive and pay for unused sick leave plans that it feels will have a positive effect on district reserves.

B. District personnel did monitor the budget for 1996-97. District officials began expressing concerns to the Board as early as January 1997 concerning the potential overstatement of revenues and understatement of expenditures as presented in the original budget. Although the potential for the district to experience a significant reduction in fund balances was identified, the solution to stabilizing fund balances would have required a massive reduction in force during the middle of the academic year. This was not a feasible alternative because of the detrimental effect on the district's students.

2. Construction Projects

Bond issues, totaling approximately $33.6 million were approved by the voters in 1993, 1994, 1996, and 1997 for the renovation and construction of various school facilities. In May 1997, the district engaged Hochschild, Bloom & Company LLP, Certified Public Accounts (CPAs) to perform a review of the revenues and expenditures relating to these bond issues. We reviewed the report, dated June 30, 1997, and substantiating workpapers of the CPA, as well as projects which had not been completed at the time of the auditor's report. Our review noted the following areas of concern:

A. Bid documentation was not retained by the district for the "Building C" portion of the St. Charles County High School (SCHS). The district sought bids from various contractors for steel and erection, carpentry, roofing and sheet metal, flooring, HVAC, plumbing, fire protection, and electrical work. The district has listed the bids received from various vendors; however, the original bid documentation was not retained. In addition, the district advertised for these bids; however, the documentation to support the bid advertisement was not retained by the district. Upon request, the district obtained the applicable bid documents and bid advertisement from their construction management firm.

Section 177.086, RSMo 1997 Supp., requires that school districts advertise bids for construction of facilities which may exceed an expenditure of $12,500. In addition, bidding procedures for construction projects provide a framework for economical management of school district resources and help assure the district that it receives fair value by contracting with the lowest and best bidder. Documentation of bids should always be retained as evidence of the district's established bidding procedures and to show statutory requirements are followed.

B. Although recommended in the independent accountants' report, the district still does not properly approve all change orders and work orders. The district has an informal policy which requires board approval for all change orders and work orders. The written policy allows the Superintendent to approve any change orders or work orders not exceeding $25,000, with a report to follow at the next scheduled board meeting. During our review, we noted the following concerns related to change and work orders:

1) Change orders and work orders were not always properly approved by the school board. During our review, we noted four change orders and work orders, totaling $61,800, which had not been approved by the school board. Three of the orders had been approved by the Superintendent; however, there was no board approval as required by district policy.

2) Work orders signed by the Superintendent, construction manager, and contractor cannot always be located in the district files. The district has indicated that they did not begin signing and retaining work orders until the beginning of the "Building C" construction project; however, we noted one work order relating to this project, in the amount of $11,756, which could not be located in district files.

The Board should authorize all significant changes to construction contracts to ensure any additional expenditures represent valid and appropriate costs to the district.

Adequate documentation of the change and work orders should be retained by the district to document the purpose and amount of the order, as well as to document the district's approval and compliance with board policy. Board approval of the change and work orders should be documented in the board meeting minutes.

WE RECOMMEND the School Board:

A. Ensure all bid documentation is received and retained by the district.

B.1. Ensure all change orders and work orders are approved by the school board as required by board policy.

2. Ensure work orders are supported by a written document signed by the Superintendent.

AUDITEE'S RESPONSE

A. All bid documentation will be received and retained by the district at its central office rather than storing the documents at the architect's office.

B. Prior to January 1997, there is evidence that no change/work orders were reported to the Board. Policy FEF was revised in July 1997, to give the Superintendent the flexibility of approving change/work orders not to exceed $25,000, with a report to follow at the next scheduled Board meeting. Board policy FEF has been followed without exception; however, it has been the practice of the current administration to report and seek board approval of all change/work orders. Since implementation of this procedure, only four (4) change/work orders totaling $61,800 were reported to the Board, but inadvertently omitted for Board approval. When the omission was subsequently discovered, the administration resubmitted the change/work orders for approval by the Board. The district has since changed the board meeting agenda format to ensure the board will approve all change orders and work orders. The old format was more conducive to having items inadvertently omitted as follow-up action items after the initial discussion. In the case of the four, work and change orders cited by the study, the items were discussed and verbally approved by the board but were not included on the agenda as a formal action item.

The district will continue its current procedure and plans to amend policy FEF to reflect reporting and seeking board approval of all change/work orders.

3. Architect and Construction Manager

The district engaged a firm to provide architect and engineering services as well as construction management services for all of its construction projects. Under the contracts, dated October 1994, the district pays the firm 5 1/4% of the project costs for architect and engineering fees, and 8 1/4% of the project costs for construction management fees. The district has paid the firm approximately $4 million for architect and engineering services and construction management services since 1993 related to the bond issue projects. Our review of the construction management of the projects noted the following areas of concern:

A. By allowing the same firm to provide these services, the architect was monitoring the accuracy and adequacy of its own design work. This situation did not allow for an independent review of the design. An independent review is essential to ensure that design inadequacies are appropriately revealed, reported, and corrected.

B. The district entered into a contract with the firm to require all payments for construction activity be made through the firm. The contractors for each project received payment from the school district through the architect/construction manager. The method of paying the contractors in this manner placed the district at risk of loss. It appears that under this

process, the school district would have been liable had the architect/construction manager failed to pay the contractors. In addition, the architect/construction manager was not required to carry a bond to insure payment to the contractors in case of default.

The district should ensure that future contracts provide for direct payments from the district to the contractors to reduce their liability.

WE RECOMMEND the School Board:

A. Retain an independent person or firm to perform construction management duties.

B. Ensure future contracts provide for direct payment from the district to the contractors.

AUDITEE'S RESPONSE

A. The district will employ two separate firms to perform architectural and construction management duties for future projects.

B. Instead of signing a standard AIA (American Institute of Architects) contract, as it has in the past, the district will use its own contractual agreement, developed by the district's attorney, to protect the district's interest and from being at risk of loss. The contract will specify that vendors shall be paid directly by the district.

4. Expenditures

A. The school district does not always solicit bids or retain adequate bid documentation for major purchases. The district's bidding policy states that a formal bidding process shall be used for projected expenditures of $12,500 or greater for supplies, materials and equipment. The policy also states that any item with a purchase price of at least $1,000, but less than $12,500 must have at least three telephone or written quotes from vendors. The bidding procedures to be followed based on the type and size of the purchase, are also indicated in the policy. The following are examples of purchases for which the district did not follow a bid process or did not retain adequate bid documentation:

1) The district contracts with a transit company for transportation of its pupils. The district selected this company through a bid process and entered into a contract with the company covering the period of July 1994 to June 1999. In March 1998, the district negotiated another five year contract with the company. During the year ended June 30, 1998, payments totaling approximately $1,352,000 were made to the company.

During the original selection process, the district documented that it received bids from four different transportation companies; however, that bid documentation cannot be located. In addition, the district indicated that it negotiated a second five year contract with the company, rather than rebidding the services because they believed a lower rate could be obtained through negotiations rather than bids. Without periodically bidding transportation services, the district cannot ensure it is paying the lowest and best rate.

2) From April 1995 to July 1998, the district leased 13 modular units at a total cost to the district of approximately $416,000. The district's bid tabulation sheets noted bids were solicited from three leasing companies; however, only one of the bids could be located.

3) The district paid an individual $4,865 in April 1998 to perform finishing work on a house built by the building trades class. Quotes were not solicited for the finishing work and there was no documentation supporting the reasons for selecting this individual.

The district's purchasing procedures could be made more effective by following the adopted bidding policy. Written documentation of bids also provides evidence that the board has complied with its policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

B. The school district did not always enter into written contracts defining services to be provided and benefits to be received. During our review, we noted the following expenditures which were not supported by written agreements:

Item	Cost
Taxi transportation	$ 96,488
Legal services	92,105
Labor for finishing a house	4,865
Customized training consultant	4,560

Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing.

C. In some instances payments were processed without a sufficiently detailed invoice or other adequate supporting documentation. Examples include a payment in the amount of $8,999 for legal fees, and the $4,865 payment to the individual noted in A.3. above. Invoices

submitted for both payments did not include an itemized listing of the work performed and the related hours being billed, nor were the invoices detailed enough to allow the district to verify the accuracy of the invoices.

To ensure the validity and propriety of the expenditures approved for payment, adequate documentation of services being billed should be obtained.

D. Invoices were maintained at the schools and not submitted to the Superintendent's office for some expenditures made from the student activity funds. For some expenditures reviewed, the only documentation available at the Superintendent's office was a purchase order form prepared by the individual school requesting the funds. The district's student activity funds management policy states that the Superintendent's office shall present to the school board for approval, only those bills for which there is a copy on file at the Superintendent's office, an itemized invoice and a signed copy of the purchase order to indicate the merchandise has been received and is acceptable. Without this documentation, the Superintendent's office cannot adequately review the expenditure for propriety and accuracy.

WE RECOMMEND the School Board:

A. Establish more specific bid policies and procedures which require formal solicitation of bids for all major purchases including criteria as to how bids are to be solicited. In addition, documentation of bids received and the bid process should be maintained.

B. Enter into written agreements with all parties that clearly detail the work to be performed and the compensation to be paid or benefits received.

C. Require adequately detailed original invoices containing approval and indication of receipt of goods or services be on file before processing payments.

D. Ensure adequate documentation for all student activity fund expenditures be submitted to the Superintendent's office before processing.

AUDITEE'S RESPONSE

A. Board policies DJC and DJC-AP adequately address contracts for purchase of supplies, materials, equipment and major repairs. The district will add procedures for contracts regarding purchased services. Documentation for all bids received will be maintained by the central office. Bids for transportation are not required by statute and, based on district administrators' research, it was concluded that a zero (-0-) percent increase in the cost per run for 1998-99 and a four-percent (4%) increase for the 1999-00, 2000-01, 2001-02 and 2002-03, respectively, could not be improved upon by seeking bids.

B. Written agreements will clearly detail the work to be performed and compensation to be paid or benefits received.

C. The district currently requires detailed original invoices containing approval and indication of receipt of most goods or services to be on file before processing payments. The specific service providers cited in the audit will be contacted and a detailed original invoice will be required before processing payments.

D. It is not feasible for all invoices to be maintained at the central office (especially for student activity accounts). All student activity invoices must be approved by the building principal and building financial secretary prior to being sent to the central office for payment; therefore, the district will change policy IGDG-R to reflect returning invoices related to student activity purchases to the appropriate building.

5. Budgeting Procedures

A. For the three years ended June 30, 1998, the district overspent approved budget amounts in various funds. For the year ended June 30, 1996 actual expenditures exceeded final budgeted expenditures in the General Revenue and Debt Service Funds by $361,351 and $605,164, respectively. The district overspent approved final budget amounts in the General Revenue Fund by $8,821 during the year ended June 30, 1997.

Beginning in July 1997, the district implemented procedures to monitor the budget on a monthly basis and budget adjustments are currently approved by the school board. Although the district has made improvements in this area, the district overspent the budget in the Capital Projects Fund by $42,778 during the year ended June 30, 1998. These concerns were also noted by the district's independent auditors.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The School Board should require that timely budget to actual comparisons are received and reviewed prior to approving expenditures.

B. There were numerous errors and inconsistencies in the district's budget documents for the year ended June 30, 1997. Differences were noted between amounts presented on the budget document summary page located in the front of the budget, the itemized budget pages in the body of the budget document, and in the amounts actually approved by the board.

1) The School Board adopted the 1996-97 budget on June 13, 1996. The board minutes note the approved budget expenditures totaled $48,046,923. Although the total reflected in the board information was the same amount, the individual amounts listed by fund totaled $48,168,916, a difference of $121,933.

2) Other differences were as follows:

Budgeted	Amount Approved by Board	Budget Budget Document	Document Summary
Receipts	$ N/A	40,725,893	41,666,920
Expenditures	48,046,923	41,845,818	51,287,690

3) The district tracks the budget versus actual expenditures on the computer system. For the year ended June 30, 1997, the district computer system reflected budgeted amounts of $51,480,011 for all funds. This amount does not agree to the budget document summary, itemized expenditures per the budget document, or the amount approved by the board.

Without sufficient, accurate, and complete budget documentation, the district cannot adequately monitor its compliance with the budget. An accurate budget is essential for effective financial planning.

WE RECOMMEND the School Board:

A. Ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to the expenditures.

B. Ensure the budget document is accurate and complete and agrees to the budget amounts approved by the school board. In addition, the district should ensure the budget amounts approved by the board are correctly entered into the computer and used to track expenditures.

AUDITEE'S RESPONSE

A. In addition to its current practice of monitoring the budget and presenting monthly budget adjustments to the Board for approval, the district will recommend that the Board approve a budget amendment to adjust all budget figures to actual at each of its June meetings. This will eliminate the possibility of having an insignificant overage in a fund. When budgets are closely monitored and reflect realistic expenditures, a fund can be inadvertently exceeded by an insignificant amount in June when it is too late to get approval by the Board for an adjustment prior to the end of the fiscal year. The district feels this is a more desirable

option than inflating expenditures to avoid insignificant overages. Any significant adjustments which could indicate poor budgeting practices would be noted by the annual audit performed by an independent auditing firm.

B. Since 1997-98, the budget document has been accurate, complete and agrees to the budget amounts approved by the Board. During the same time frame, budget amounts have been accurately entered into the computer and used to track expenditures. The assistant superintendent for business services and two district bookkeepers independently confirm amounts listed in the budget, general ledger report and all budget adjustments prior to presentation to the Board.

6. Modular Unit Lease Agreements

In April 1995, the district entered into a three year lease agreement for modular classrooms to use while the district was renovating facilities. The district entered into another lease agreement for additional modular units in May 1996. This lease covered a twelve month period, and was later extended to a month to month basis. The leasing of the units cost the district a total of $415,912 through June 1998.

A. The district was given the opportunity to purchase, lease, or lease purchase the units when they began reviewing their options for the temporary classrooms. It appears the district did not adequately evaluate the options to purchase or lease purchase the units. The district paid a total of $229,529 in lease payments and costs to return the units for the first lease. These units could have been purchased by the district for $223,152 or lease purchased for $245,557. Had the district retained ownership of the units, the vendor indicated the units could have been sold for approximately $197,000 at the end of the lease period. By lease purchasing or purchasing the units, the district could have saved between $181,000 and $203,000. In addition, for the second lease, the district paid a total of $186,383 for the lease payments and costs to return the units. The district paid more than 64 percent of the $291,025 purchase price of the units, which were leased for less than two years. Had the district purchased these units, the district would have been able to sell them for approximately $290,000 according to the vendor, thereby saving approximately $185,000.

   The district should adequately plan and consider all options to ensure the district receives the most financial benefit.

B. The lease agreement required the district to return the units at the district's cost to a location, to be designated by the lessor, within the continental United States upon termination of the lease. The district paid approximately $98,000 (included in the total costs of $415,912) in dismantling and relocating costs related to the classroom units.

Prior to entering into the first lease agreement in April 1995, the district's attorney advised them of the potential high costs of the return of the units, as required by the lease agreement. It appears the district did not adequately consider the total costs of the lease before signing the lease. Contract requirements should be closely evaluated and considered when determining the financial impact of the agreement.

WE RECOMMEND the School Board carefully review all contractual agreements to ensure the district receives the best financial benefit for the cost.

AUDITEE'S RESPONSE

All contractual lease agreements will be reviewed by the Board (or its designee) to ensure the district receives the best financial benefit for the cost.

7. Personnel Procedures

A. On March 17, 1994, the school board adopted a salary schedule for all administrators in the district except for the superintendent. Effective for the 1996-97 school year, administrators were given an increase in pay; however, the salary schedule was not updated.

The district is currently not using the adopted administrators' salary schedule. When a new administrator is hired, the salary is negotiated rather than determined by a salary schedule. It appears the adopted schedule is no longer beneficial to the district or used for its intended purpose.

B. Each year, prior to approving teacher contracts, the school board issues letters of intent to district teachers notifying them of its intent to continue their employment for the next school year. Our review of the 1998-99 letters of intent distributed to the teachers noted that several letters were issued to individuals that were no longer employed by the district, including teachers who had terminated employment at the end of the 1995-96 school year.

Our review of the district's procedures for preparing the letters of intent noted a lack of procedures to ensure the accuracy of the letters before distribution.

C. Upon termination of a district employee, the building principal is to prepare a personnel change notice. The personnel change notice is approved by the Assistant Superintendent for Human Resources and the School Board, and forwarded to the payroll department, authorizing the removal of the individual from the payroll system.

Our review of files for employees who were no longer employed with the district, noted many instances in which a personnel change notice was not prepared upon the employee's

termination. Payroll department employees indicated that they usually remove an employee from the payroll system based on board agendas, verbal notice from Human Resources, or a letter from the building principal. The failure to prepare the personnel change notice increases the risk that an unauthorized payroll transaction can occur.

D. The district does not have a policy prohibiting employees being supervised by their relatives. The Maintenance Supervisor directly supervises a maintenance employee that is related to him. As a result, the supervisor approves the time sheets and overtime of his relative. This situation of providing direct supervision of a relative provides for an appearance of a conflict of interest. A supervisor should be independent of the employee to provide for an assurance of fairness to all employees and adherence to district policies.

WE RECOMMEND the School Board:

A. Evaluate the need for the adopted administrators' salary schedule and make appropriate changes to the schedule.

B. Ensure procedures are established to ensure letters of intent are only sent to applicable employees.

C. Ensure a personnel change notice is prepared, approved, and submitted to payroll for each terminated employee.

D. Adopt a policy prohibiting an employee from supervising a relative.

AUDITEE'S RESPONSE

A. The Board rescinded the previous administrators' salary schedule at the regular March 1999 meeting.

B. The district has updated its Pentamation software and personnel data entries to ensure that only active certificated employees are considered for any contract or salary negotiations' considerations. The district can utilize the same program as referenced above for accurate mailings to support staff personnel but has not incorporated all salary schedules since they are still being developed through the formal meet and confer process.

C. Both the human resources and payroll/benefits department personnel have coordinated their efforts to ensure that the personnel change notices are accurately and completely filled out by all building administrators, directors or supervisors. All district administrators have been notified of their obligation to have the notice on file before any payroll or benefit changes are executed.

The only area still needing attention is for the short-term substituting incidents which occur without enough notice or warning for the administration to effectively fulfill the educational and support functions within their respective buildings. Unless the temporary assignment or substituting exceeds thirty (30) days, the change will be reflected on that individual's time sheet which is reviewed and signed by the building administrator or supervisor.

D. Current statutes and board policy only address the issue of nepotism for board members. It is not unusual for administrators or supervisors to evaluate relatives working within their building or areas of concern such as maintenance and other support staff positions. The Board may direct at its discretion any rules or regulations deemed appropriate for this issue. This is entirely a local governance issue. However, the Board will review the policy dealing with employees supervising relatives.

8. Petty Cash and Soda Machine Funds

A. Each school maintains its own petty cash fund, ranging from approximately $50 to $100. Although the district policy requires petty cash funds to be maintained on an imprest basis, some of the funds are not. In addition, ledgers are not maintained on some funds to document all transactions and there is often no independent review of the funds to ensure they are being maintained properly.

Invoices should be maintained for all petty cash expenditures and the funds should be operated on an imprest basis, meaning that cash and the invoices should always total the established balances, and checks issued to replenish the funds should equal the amount of invoices. Ledgers of all petty cash fund transactions should be maintained. Periodically, the funds should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to help prevent these monies from being misused.

B. The district operates several soda and vending machines throughout the various school buildings. Custodians or other district employees are responsible for replenishing the machines and emptying the change from the machines on a periodic basis. The monies are turned over to designated individuals in the buildings who count and deposit the monies.

An independent party does not periodically reconcile the amount of soda and other items purchased and remaining in inventory with receipts from the sale of the soda and other items. Failure to reconcile monies received to items sold could result in the loss or misuse of funds.

WE RECOMMEND the School Board:

A. Formally establish an imprest amount for each petty cash fund and ensure the funds are periodically counted and reconciled to the imprest balance by an independent person. In addition, invoices should be maintained for all petty cash expenditures and a ledger should be prepared of all petty cash transactions.

B. Ensure independent reconciliations of soda and vending machine monies received to items purchased and remaining in inventory are performed.

AUDITEE'S RESPONSE

A. Policies DJB and DJB-R establish an imprest amount for the petty cash fund and establish a procedure for handling such accounts. Copies of the policies have been forwarded to building principals, directors and assistant superintendents with instructions to follow current policy. The assistant superintendent for business services will conduct at least one random check of each building's procedures each fiscal year. Building principals and directors (or their designees) shall conduct at least four random checks each fiscal year. The district's auditors will also be asked to randomly check petty cash procedures.

B. Each soda machine has a counter which tracks the amount of product sold. The individual who collects the money from the machine shall record the count each time the collection is made. The business secretary at each building shall multiply the product retail price by the count from the machine to verify the accuracy of the amount collected. Any discrepancy shall be noted on a form as cash short or over. Any significant discrepancy shall be brought to the attention of the building principal who will notify the central office.

OVERALL SCHOOL BOARD RESPONSE TO STATE AUDITOR'S REPORT

The board hired a new administrative team. The district has a new superintendent of schools, a new assistant superintendent for business, a CPA on staff, and a new assistant superintendent for human resources. Second, the patrons, staff, administration, and board made serious cuts in district expenditures. Third, the same group, working hard and working together, managed to increase tax revenue. Fourth, a board motion made it a district goal to increase the balances to 9 percent by 2003, in the combined teachers and incidental funds. After the 1998-1999 school year, the district will be removed from the financial stress list and will end the year with a reserve balance of about 4.7 percent. We will continue to build on this reserve at the rate of 1 percent each year until we reach our goal. Fifth, the salary contingency agreement is gone. Sixth, the budget reflects the way the district spends money and timely adjustments are made when necessary. Seventh, the board and administration will implement the suggestions given to us by the state auditing team.

In summary, the board, administration, and community have changed and improved the way the district conducts business.

This report is intended for the information of the management of St. Charles RV-I School District, and other applicable district officials. However, this report is a matter of public record and its distribution is not limited.

AUDIT REPORT

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

THREE YEARS ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-40
June 16, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

During our audit of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, we identified certain management practices which we believe could be improved.

The financial condition of the plan has rapidly deteriorated in recent years. In the last three fiscal years, ending Fiscal Year (FY) 1998, annual plan expenditures have increased approximately 23% while annual revenues have decreased approximately 6%. In this same period retained earnings have declined 66%, from $14.5 million at June 30, 1996, to $4.9 million at June 30, 1998. This trend has continued during the current fiscal period and, as of November 30, 1998, the plan's retained earnings was approximately $138,000.

The significant increase in plan expenditures can be attributed to increasing medical costs, enhancements in medical plan benefits, and the addition of a prescription drug card program in 1997. Revenues have decreased due to a reduction in the state contribution rate instituted by the board in January 1997. Those changes were made in an attempt to decrease a large, previously accumulated retained earnings balance as discussed in our prior report.

The board has attempted to offset the rising medical costs and prescription drug program costs by increasing prescription drug co-payment amounts in September 1998 and raising all medical plan contribution rates effective January 1999. The State Auditor recommended the plan's Board of Trustees continue to closely monitor the plan's financial condition and take any additional actions needed to maintain the solvency of the plan.

In another finding the State Auditor noted the plan's Board of Trustees did not review supporting documentation for the achievement of performance standards set forth in the plan's medical claims administrators' contracts. The plan also did not require the prescription drug program administrator to timely furnish information regarding compliance with the performance standards stated in its contract.

The audit also found that in October 1996, at the request of the board, the plan's actuary submitted a proposal to perform an audit of the claims administrator to confirm compliance with 1993 and 1994 contractual savings guarantees related to the Preferred Provider Network. The actuary estimated the audit would require a maximum of 120 hours, assuming data from the claims administrator would be "available and usable, and received in a timely manner." However, upon completion in September 1997, the actuary had incurred approximately 276 extra hours, increasing the cost of the audit from $13,800 to $45,540. The board ultimately approved a payment of $30,000 to the actuary for this audit.

Throughout the audit the actuary had indicated to the board they were having problems obtaining usable information in a timely manner; however, it was not until the audit was completed that the board was informed of the extra hours spent and cost incurred. The State Auditor made specific recommendations to improve the board's of oversight such contracts.

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

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MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Mel Carnahan, Governor
and
Missouri Highway and Transportation Commission
and
Board of Trustees
Missouri Department of Transportation and Missouri
State Highway Patrol Medical and Life Insurance Plan
Jefferson City, Missouri 65102

We have audited the accompanying financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of and for the years ended June 30, 1998, 1997, and 1996, as identified in the table of contents. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1*, requires disclosures of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-

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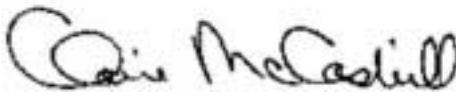
compliant. The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan has omitted such disclosures. We do not provide assurance that the plan is or will become year 2000-compliant, that the plan's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the plan does business will become year 2000-compliant.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of June 30, 1998, 1997, and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 18, 1998, on our consideration of the plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the omission of the information discussed in the third paragraph, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the plan's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.



Claire McCaskill
State Auditor

December 18, 1998 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Mel Carnahan, Governor
and
Missouri Highway and Transportation Commission
and
Board of Trustees
Missouri Department of Transportation and Missouri
State Highway Patrol Medical and Life Insurance Plan
Jefferson City, Missouri 65102

We have audited the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of and for the years ended June 30, 1998, 1997, and 1996, and have issued our report thereon dated December 18, 1998. That report expressed a qualified opinion on the financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan are free of material misstatement, we performed tests of the plan's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, we considered the plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide

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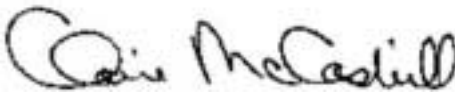
assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

December 18, 1998 (fieldwork completion date)

Financial Statements

Exhibit A

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE BALANCE SHEET

	June 30,		
	1998	1997	1996
ASSETS			
Cash and cash equivalents	$ 7,726,576	17,462,412	20,363,847
Investments at fair value	3,986,957	2,003,290	0
Member contributions receivable	11,534	21,569	6,333
State contributions receivable	41,143	426,338	623,162
Accrued interest	47,487	33,446	0
Total Assets	11,813,697	19,947,055	20,993,342
LIABILITIES AND RETAINED EARNINGS			
Liabilities:			
Unearned -			
Member contributions	1,168,001	1,060,204	1,025,110
State contributions	497	3,936	5,066
Estimated liability for claims incurred but not reported	4,710,905	4,926,348	4,265,496
Other liabilities	987,075	1,928,271	1,219,632
Total Liabilities	6,866,478	7,918,759	6,515,304
Retained Earnings	4,947,219	12,028,296	14,478,038
Total Liabilities and Retained Earnings	$ 11,813,697	19,947,055	20,993,342

The accompanying Notes to the Financial Statements are an integral part of'this statement.

Exhibit B

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

	Year Ended June 30,		
	1998	1997	1996
REVENUES			
Member contributions	$ 12,741,271	11,600,102	11,951,188
State contributions	20,818,967	23,335,634	24,053,533
Investment income -			
Interest	826,061	1,151,206	1,043,562
Net increase in fair value of investments	99,261	5,321	0
Total Revenues	34,485,560	36,092,263	37,048,283
EXPENSES			
Medical claims	25,849,692	27,484,090	26,076,902
Medical claims administration fees	2,227,998	1,397,589	1,686,548
Life insurance premiums	365,304	368,358	343,348
Optional life insurance premiums	2,452,272	1,699,807	1,454,600
Actuarial service	91,403	90,950	24,670
Transplant insurance premiums	618,947	595,091	544,627
Health maintenance organization premiums	1,999,820	3,609,429	3,613,175
Prescription claims administration fees	98,429	53,510	0
Prescription drug expense	7,831,279	3,173,496	0
Operation and miscellaneous expenses	31,493	69,685	14,883
Total Expenses	41,566,637	38,542,005	33,758,753
REVENUES OVER (UNDER) EXPENSES	-7,081,077	-2,449,742	3,289,530
RETAINED EARNINGS, JULY 1	12,028,296	14,478,038	11,188,508
RETAINED EARNINGS, JUNE 30	$ 4,947,219	12,028,296	14,478,038

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended June 30,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from member contributions	$ 12,859,103	11,619,960	11,808,686
Cash received from state contributions	21,200,723	23,531,328	23,909,874
Cash payment of medical claims	-27,183,333	-26,072,708	-25,379,232
Cash payment of prescription drug claims	-7,722,712	-2,913,173	0
Premium payments to outside carriers	-5,397,148	-6,452,837	-5,450,981
Cash payment for other suppliers of goods and services	-2,420,083	-1,733,796	-1,739,925
Net Cash Provided (Used) by Operating Activities	-8,663,450	-2,021,226	3,148,422
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from investment income	933,452	1,151,206	1,043,562
Accrued interest	-14,041	-33,446	0
Cash invested	-1,991,797	-1,997,969	0
Net Cash Provided (Used) by Investing Activities	-1,072,386	-880,209	1,043,562
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-9,735,836	-2,901,435	4,191,984
CASH AND CASH EQUIVALENTS, JULY 1,	17,462,412	20,363,847	16,171,863
CASH AND CASH EQUIVALENTS, JUNE 30	7,726,576	17,462,412	20,363,847
RECONCILIATION OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Revenues over (under) expenses	-7,081,077	-2,449,742	3,289,530
Adjustments to reconcile revenues over expenses to net cash provided (used) by operating activities:			
Investment income-			
Interest	-826,061	-1,151,206	-1,043,562
Net increase in fair value of investments	-99,261	-5,321	0
Changes in assets and liabilities-			
(Increase) decrease in receivables	395,230	181,588	-142,234
Increase (decrease) in accounts payable and accrued liabilities	-1,052,281	1,403,455	1,044,688
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ -8,663,450	-2,021,226	3,148,422

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the insurance trust fund of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan. The plan is funded by state and member contributions and investment income and provides medical and life insurance for eligible members of the Highway Employees' and Highway Patrol Retirement System. Due to the nature of the plan and reliance on funding from the Missouri Department of Transportation and Missouri State Highway Patrol, the plan is considered a component unit of the state of Missouri's financial reporting entity.

The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, presented in Exhibits A through C, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the plan's activities.

Expenses presented for the plan may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Missouri Department of Transportation and Missouri State Highway Patrol are not allocated to the plan.

B. Basis of Accounting

The financial statements for the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, Exhibits A through C, are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Contribution revenues are recognized in the month for which coverage was provided. As such, unearned contributions at June 30 are amounts contributed for or withheld from June payrolls for July insurance coverage. Medical benefits expense is recognized when claims are incurred as estimated by the plan's consulting actuary. All other expenses are recognized when the liability is incurred.

Investments are long-term investments which are expected to be held to maturity and redeemed at face value. The U.S. Treasury notes are reported at estimated fair value which approximates market. Interest income is recognized when earned.

For purposes of the statement of cash flows, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

C. Fiscal Authority and Responsibility

Responsibility for administration of the transactions of the plan is vested in the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan Board of Trustees, within the authority prescribed by the Missouri Highway and Transportation Commission. The Board of Trustees maintains custody of trust fund resources, approves operating and investment transactions, and provides for control of trust fund resources.

D. Retained Earnings

This amount represents the amount of life insurance and state and member plan contributions in excess of current funding requirements at June 30, 1998, 1997, and 1996.

E. Basic Life Insurance

The state provides to all full-time salaried employees $15,000 of insurance benefits regardless of length of service. Coverage is effective on the first day of the month coinciding with, or next following, the employee's date of employment. As coverage is provided by contract with a private insurance carrier, basic life insurance expense represents the state contributions in the basic life insurance program which are subsequently transmitted to the carrier on a monthly basis.

F. Optional Life Insurance

Section 104.517, RSMo Cumulative Supp. 1998, allows any person for whom basic life insurance is provided under this section, to purchase additional life insurance at up to six times the amount of the person's annual compensation, except that if the maximum amount is not evenly divisible by $1,000, it will be the next higher amount evenly divisible by $1,000 (prior to January 1, 1998, this additional life insurance was allowed at up to three times the amount of the person's annual compensation). Employees who retired before May 1, 1984, could have retained an amount no greater than $2,500. Employees who retired on or after May 1, 1984, but before September 1, 1988, could have retained an amount no greater than $5,000. Employees retiring on or after September 1, 1988 but before May 1, 1996, could have retained an amount no greater than $10,000. Employees retiring on or after May 1, 1996 may retain an amount no greater than $60,000. Effective January 1, 1998, employees may purchase spouse and dependent life insurance. Optional life

insurance for spouses is limited to the lesser of the employee's optional life insurance or $100,000. Dependent child life insurance is limited to $10,000 per child.
As coverage is provided by contract with a private insurance carrier, optional life insurance expense represents the contributions received from persons participating in the optional life insurance program which are subsequently transmitted to the carrier on a monthly basis.

G. Transplant Insurance Supplement

The plan provides benefits for organ or tissue transplants for active employees with one month of creditable service and other eligible participants, except those covered by Medicare. The maximum lifetime transplant benefit is $1,000,000.

As coverage is provided by contract with a private insurance carrier, transplant insurance expense represents the contributions received from persons participating in the transplant insurance program which are subsequently transmitted to the carrier on a monthly basis.

H. Health Maintenance Organizations

The health maintenance organization (HMO) expense represents both the state and employee contributions received for members participating in the HMO's. Employees living in the service area of an alternative HMO have the option of choosing either the health maintenance program or the state medical insurance. The plan is responsible for transmitting these contributions to the HMO's on a monthly basis. At June 30, 1998, there were 738 participants in the HMO's (634 with the Missouri Department of Transportation and 104 with the Missouri State Highway Patrol).

I. Prescription Drug Card Program

Effective January 1, 1997, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan began offering a prescription drug card program that provides prescription drug benefits to all participants in the insurance plan. There is no additional cost to the participant, other than the co-pays required. This plan is administered by an outside provider, and the plan is responsible for remitting payment to the administrator on a biweekly basis for claims and on a monthly basis for administrative fees.

2. Cash and Investments

Deposits

The plan's deposits at June 30, 1998, 1997, and 1996, were entirely covered by federal depositary insurance or by collateral securities held by the plan's custodial bank in the plan's

name. The plan utilizes a cash management account which has the capability of transferring funds into repurchase agreements daily, allowing the plan to invest excess funds and funds held to cover outstanding checks.

Investments

The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan Board of Trustees is authorized by state statute to invest in U.S. Treasury or Agency securities maturing within three years or in repurchase agreements maturing within ninety days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during the years ended June 30, 1998, 1997, and 1996. The plan's investments are composed of the following:

	June 30,					
	1998		1997		1996	
	Reported Amount	Fair Value	Reported Amount	Fair Value	Reported Amount	Fair Value
Repurchase agreement (interest rate of 5.311 percent)	$ 8,416,832	8,416,832	18,397,245	18,397,245	21,205,131	21,205,131
U.S. Treasury notes (interest rates of 5.24 to 6.16 percent)	3,988,801	3,986,957	1,998,246	2,003,290	0	0
	12,405,633	12,403,789	20,395,491	20,400,535	21,205,131	21,205,131

These investments were held by the plan's custodial bank in the plan's name.

3. Risk Management

A claim becomes a liability of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan when an illness begins or an injury occurs; however, payment of these claims is made at a later date after the claim is reported and adjudicated. Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan claims liabilities are reported when it is probable that a claim has occurred and the amount of that claim can be reasonably estimated. Estimated unreported claims represent expected claims against the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan that have been incurred but not reported. The unreported claims liability is established from data provided by an actuary. Changes in the balance of incurred but not reported claims liabilities for the years ended June 30, 1998, 1997, and 1996, were as follows:

	Balance July 1	Claims and Changes in Estimates	Claim Payments	Balance June 30
Estimated incurred but not reported claims:				

1996	$	3,811,740	26,530,658	26,076,902	4,265,496
1997		4,265,496	28,144,942	27,484,090	4,926,348
1998		4,926,348	25,634,249	25,849,692	4,710,905

Supplementary Data

Schedule

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Year Ended June 30,				
	1998	1997	1996	1995	1994
REVENUES					
Member contributions	$ 12,741,271	11,600,102	11,951,188	12,396,955	11,596,530
State contributions	20,818,967	23,335,634	24,053,533	22,431,119	22,185,207
Investment income-					
Interest	826,061	1,151,206	1,043,562	783,780	269,733
Net increase in fair value of investments	99,261	5,321	0	0	0
Total Revenues	34,485,560	36,092,263	37,048,283	35,611,854	34,051,470
EXPENSES					
Medical claims	25,849,692	27,484,090	26,076,902	25,285,419	22,684,557
Medical claims administration fees	2,227,998	1,397,589	1,686,548	1,329,198	1,071,875
Life insurance premiums	365,304	368,358	343,348	288,919	271,228
Optional life insurance premiums	2,452,272	1,699,807	1,454,600	1,226,305	1,170,886
Actuarial service	91,403	90,950	24,670	76,508	41,791
Transplant insurance premiums	618,947	595,091	544,627	424,803	418,894
Health maintenance organization premiums	1,999,820	3,609,429	3,613,175	1,675,460	636,785
Prescription claims administration fees	98,429	53,510	0	0	0
Prescription drug expense	7,831,279	3,173,496	0	0	0
Operation and miscellaneous expense	31,493	69,685	14,883	10,506	8,960
Total Expenses	41,566,637	38,542,005	33,758,753	30,317,118	26,304,976
REVENUES OVER (UNDER) EXPENSES	-7,081,077	-2,449,742	3,289,530	5,294,736	7,746,494
RETAINED EARNINGS, JULY 1	12,028,296	14,478,038	11,188,508	5,893,772	-1,852,722
RETAINED EARNINGS, JUNE 30	$ 4,947,219	12,028,296	14,478,038	11,188,508	5,893,772

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
SUMMARY OF FINDINGS

1. Monitoring of Performance Standards (pages 21-22)

The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (plan) did not review supporting documentation for performance standards set forth in their medical claims administrators' contracts. The plan also did not require the prescription drug program administrator to furnish information in a timely manner regarding compliance with the performance standards stated in the contract.

2. Contracts and Special Projects (pages 22-23)

The plan requested their actuary to perform an audit of 1993 and 1994 Preferred Provider Network claims. The actuary estimated the audit would cost $13,800. However, the actuary incurred and billed costs of approximately $45,540 and did not adequately inform the Board of Trustees of the cost overruns. The board actually paid $30,000 for the services provided.

3. Financial Condition (pages 23-24)

The plan's financial condition has deteriorated significantly over the last two fiscal years.

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of and for the years ended June 30, 1998, 1997, 1996, and have issued our report thereon dated December 18, 1998. That report expressed a qualified opinion on the financial statements.

During our audit, we identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following Management Advisory Report should not be considered as all-inclusive of areas where improvements may be needed.

1. Monitoring of Performance Standards

The Missouri Department of Transportation and the Missouri State Highway Patrol Medical and Life Insurance Plan (plan) Board of Trustees (board) contracts with outside businesses for network and medical claims administration, as well as for the administration of a prescription drug program. These contracts establish specific performance standards, such as the amount of time to process and pay a claim and the accuracy of the payments made. The contracts also include penalties to be paid by the administrators when the agreed upon standards are not met.

A. The various medical claims administrators perform quarterly internal audits of a sample of claims to measure the percentage of compliance with performance standards applicable to their contracts. After the internal audits are completed, the claims administrators summarize the results and calculate the applicable penalties due. The administrators then either write a check to the plan for the penalty amount or deduct the penalty from the service fees charged to the plan. Although these guarantees are included in the contract and the plan receives penalty fees when these guarantees are not met, the board does not review the supporting documentation for how the penalties were determined. Without reviewing the supporting documentation and ensuring the audits were correctly performed and that the performance measures were accurately determined, the board cannot assure themselves that the penalties calculated are correct.

   To assure themselves that the penalties are accurately calculated and in accordance with the contract, the Department of Transportation Internal Audit Division, the Department of Transportation employees responsible for the plan's operation, or an independent party such as the plan's actuary, need to review supporting documentation for the performance standards audits.

B. The plan's contract with the prescription drug program administrator, established in January 1997, also has provisions for performance standards. According to the contract, any amount owed the plan for not insuring performance standards shall be paid by the administrator within 60 days following the anniversary of the agreement year. Prior to November 1998, the plan had not required any information from this administrator to evaluate compliance with those standards. In November 1998, the board did request the administrator to furnish information regarding the performance standards stated in the contract and received that information on January 22, 1999. The administrator reported that all performance standards had been met.

To assure themselves that each of their administrators is complying with their contract, the board should ensure information is received and a review of compliance with the administrator's contract is performed on a timely basis.

WE RECOMMEND the Board of Trustees:

A. Ensure a review of supporting documentation for performance standards audits is conducted.

B. Ensure contract compliance relating to performance standards is reviewed in a timely manner.

AUDITEE'S RESPONSE

A. The board receives monthly reports as to the status of claims administration of the plan. The board reviews this information monthly at its board meeting for the performance of the claims administration. The board also has the actuary perform an audit on the claims administrator to review the supporting documentation relating to the performance of the claims administration.

B. The board will ensure that the performance standards are reviewed in a timely manner.

AUDITOR'S COMMENT

A. While the plan does receive various monthly and quarterly reports from its claims administrators, it does not appear that any of those reports provide information sufficient for the plan to evaluate whether the quarterly reports on performance measures provided by the administrators are accurate. In addition, while the plan's actuary has performed audits of 1993 and 1994 claims processed through its Preferred Provider Network and 1995 claims processed by its medical claims administrator, no other reviews of claims have been performed. The plan has discussed several times having the 1996 and 1997 claims audited, but to date such an audit has not been obtained.

2. Contracts and Special Projects

In October 1996, at the request of the board, the plan's actuary submitted a proposal to perform an audit of the claims administrator to confirm compliance with contractual savings

guarantees relating to Preferred Provider Network (PPO) in effect during 1993 and 1994. The proposal was based on provisions in the actuary's contract relating to special projects that could be performed for the plan at the contractual rate of $115 per hour. The actuary estimated the audit would require a maximum of 120 hours, assuming data from the claims administrator would be "available and usable, and received in a timely manner;" however, upon completion in September 1997, the actuary had incurred approximately 276 extra hours, increasing the cost of the audit from $13,800 to $45,540.

Throughout the audit the actuary had indicated to the board they were having problems obtaining usable information in a timely manner; however, it was not until the audit was completed that the board was informed of the extra hours spent and cost incurred. Based on the lack of correspondence between the actuary and board concerning the extra hours and cost, the board decided to pay only $30,000 of the $45,540 invoice. In addition, the board also informed the actuary that if estimated costs were to be exceeded concerning future special projects, a request for additional fees should be submitted in writing. To ensure extra hours and/or costs are approved or disapproved prior to being incurred, the board should establish a formal procedure, through an amendment to the actuarial contract, to provide for periodic reports on the status of any special projects.

WE RECOMMEND the Board of Trustees establish a formal procedure, through an amendment to the actuarial contract, to ensure periodic reports are given on the status of special projects so extra hours and/or costs can be approved or disapproved prior to being incurred.

AUDITEE'S RESPONSE

The board was aware of the problems the actuary was having in performing the audit for the Perferred Provider Network and allowed the actuary to continue the audit. The actuary completed the audit and agreed to accept the original estimate. However, the board, realizing the extra work performed by this actuary, agreed to pay $30,000 of the actual amount of $45,540 performed by the actuary. The board feels adequate procedures are in place to assure the board is receiving the services requested.

3. Financial Condition

The financial condition of the plan has rapidly deteriorated over the past two years.

In the last three fiscal years, annual plan expenditures have increased approximately 23 percent, rising from $33.7 million to $41.6 million, while annual revenues have decreased approximately 6 percent, dropping from $37 million to $34.4 million. As a result, over the last two fiscal years, expenditures have exceeded revenues by approximately $7 million and $2.4 million, respectively. In this same period retained earnings have declined 66 percent, from $14.5 million at June 30, 1996, to $4.9 million at June 30, 1998. This trend has continued during the current fiscal period and, as of November 30, 1998, the plan's retained earnings was approximately $138,000.

The significant increase in plan expenditures can be attributed to increasing medical costs, enhancements in medical plan benefits, and the addition of a prescription drug card program in 1997. Revenues have decreased due to a reduction in the state contribution rate instituted by the board in January 1997. Those changes were made in an attempt to decrease a large, previously accumulated retained earnings balance as discussed in our prior report.
Recently, the board has attempted to offset the rising medical costs and prescription drug program costs by increasing revenues. To increase the plan's revenues, the board raised prescription drug co-payment amounts in September 1998 and raised all medical plan contribution rates effective January 1999.

While the board is aware of the declining financial condition and has taken steps to address this issue by making recent changes to increase plan revenues, additional actions may be needed in the future. The board should continue to closely monitor the plan's financial condition and take appropriate additional actions necessary.

WE RECOMMEND the Board of Trustees continue to closely monitor the financial condition of the plan and take any additional actions needed to maintain the solvency of the plan.

AUDITEE'S RESPONSE

The board is well aware of its financial condition and is making every effort to stabilize the reserves.

This report is intended for the information of the management of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the board should consider implementing these recommendations.

1. Medical Plan Rate Structures

   A. Certain rate structures in effect for classifications within the non-employee plan were not always sufficient to cover the amount of claims incurred against that particular classification.

   B. During fiscal year 1994, the Missouri Highway and Transportation Commission elected to transfer $2.8 million in additional state contributions to the medical plan. This transfer, along with increases in various member and state contributions effective in 1994, caused the medical plan's cash balance and retained earnings to increase significantly in fiscal years 1994 and 1995.

   Recommendation:

   The Board of Trustees:

   A. Evaluate the various plan rate structures and adjust them accordingly to ensure each plan area contributions are sufficient to cover claims incurred for that area.

   B. Evaluate the excess cash and retained earnings balances to determine if state funding needs to be adjusted.

   Status:

   A. Partially implemented. In January 1997, plan classifications and rates were evaluated and adjusted. In addition, the board, upon recommendations from their actuary which were based on an analysis of rates, plans to raise rates ten percent each of the next three years beginning January 1999. However, based on the actuarial projections, it appears the medicare classification's rate structure effective the year 2001 would still be insufficient to cover claims incurred. Although not repeated in our current MAR, our recommendation remains as stated above.

   B. Implemented. Effective January 1, 1997, in order to reduce the excessive fund balance, state funding for most categories was reduced and benefits were enhanced.

2. Claims Processing

A. On January 1, 1995, the contract with the claims administrator was amended to allow penalties to be imposed on timeliness of processing claims and for payment accuracy; however, plan personnel did not perform any case testing or receive any reports by which to determine how efficient the claims administrator was in the processing and payment of claims.

B. In September 1993 the claims administrator began processing claims using a new screen imaging system, which eliminated any supervisory review or approval prior to payment. As a result, for the three years ended June 30, 1995, over $1,322,000 was refunded to the medical plan due to overpayments made by the claims administrator. In most cases, these mistakes were identified by members or providers and not the claims administrator.

C. The board did not perform a cost/benefit analysis regarding the processing and payment of its own claims versus contracting with an outside claims administrator.

Recommendation:

The Board of Trustees:

A. Establish a performance mechanism for evaluating the timeliness and accuracy of claims processed and assess penalties as necessary.

B. Require a review of each overpayment to determine the circumstances or reasons for the overpayment. Any changes or revisions that are determined to be necessary should be initiated immediately to reduce the potential for additional overpayments.

C. Perform a cost/benefit analysis relating to the plan processing its own claims versus contracting with a claims administrator.

Status:

A. Partially implemented. The plan's Board of Trustees contracted with its actuary to conduct an audit of claims processed in 1995. This audit was completed in March 1998. In addition, penalties have been assessed for failure to meet performance standards relating to claims processed by the former and current claims administrators from 1996 to 1998, using performance reports provided; however, plan personnel did not review any supporting documentation or perform a review of claims in order to verify the accuracy of these reports. See MAR No. 1.

B. Implemented. The current claims administrator has in place various edit checks designed to detect overpayments or other possible errors and has established procedures to review and properly adjust these claims.

C. Partially implemented. The plan's Board of Trustees contracted with its actuary to perform a cost/benefit analysis. The analysis was completed in March 1997. The actuary determined that it would be cost effective for the plan to process its own

claims; however, after reviewing the analysis, the Missouri Department of Transportation (MoDOT) determined such an arrangement was not feasible at the time. Although not repeated in the current MAR, the board should consider performing the analysis again at some point in the future.

3. Cost Containment Measures

A. The MoDOT Internal Audit Division did not periodically review either the claims processing function performed by the claims administrator or the Contract and Disbursement Section which collected, recorded, and deposited receipts and made disbursements for administrative expenses.

B. There was no review of claims to determine whether the plan maximum of $1,000,000 in paid benefits had been exceeded or whether the maximum of $15,000 ($25,000 effective June 1994) in paid benefits for alcohol and drug abuse or mental and nervous disorders had been exceeded by a plan participant.

C. The board did not require all cases involving potential subrogation to be separated and reviewed for any further action to ensure the plan was paying only for necessary medical costs.

Recommendation:

The Board of Trustees:

A. Require a periodic review of the medical plan claims processing function and the contract and disbursement section by the internal audit division.

B. Review all claims that have exceeded established limits of coverage and request refunds as appropriate. The board should also require the claims administrator to furnish a listing of all claims over a specified dollar amount for further study and review by the board to ensure the $1,000,000 limit is not exceeded. In addition, all cases involving mental or nervous disorders or alcohol and drug abuse should be given to the board for review to ensure the maximum benefit amounts are not exceeded.

C. Require the claims administrator to furnish a listing of all potential cases involving subrogation to the board for review and pursue collection of all subrogation claims.

Status:

A. Not implemented. In regard to a periodic review of the Contract and Disbursement Section (now called the Business and Benefits Section), MoDOT's Internal Audit Division does not perform this function. Although not repeated in the current MAR, our recommendation remains as stated above. In regard to a periodic review of the claims administrators, MoDOT's Internal Audit Division does not perform this function either. See MAR No. 1.

B. Implemented. The board reviewed all alcohol and drug abuse or mental and nervous disorder cases over the $25,000 limit and decided not to pursue any overpayments after the prior claims administrator indicated errors existed in such medical limit reports. No participants had exceeded the $1,000,000 lifetime maximum. Effective January 1, 1998, upon the changing of claims administrators, the board reset all previously accumulated balances to zero. Currently, the board receives and reviews a report from the new claims administrator allowing them to monitor members which are in proximity of plan limits.

C. Implemented. The former claims administrator furnished a listing of potential subrogation cases to the board but did not attempt to pursue collection on these claims due to inadequate subrogation procedures and/or possible miscoding of claims. The current claims administrator identifies, investigates, and attempts to collect on potential subrogation cases.

4. Hospital and Provider Audits

The claims administrator did not have sufficient edit checks in its computer system to identify claims that were likely to have over-billings or be fraudulent in nature.

Recommendation:

The Board of Trustees require the claims administrator to develop appropriate edit checks to identify claims likely to have over-billings or which may be fraudulent in nature.

Status:

Implemented. The current claims administrator has in place various edit checks designed to identify claims likely to have over-billings or which may be fraudulent in nature, as well as to detect other possible errors.

5. Investment of Plan Funds

During the three years ended June 30, 1995, the board only invested in repurchase agreements and did not amend the current banking agreement to allow excess funds to be invested in longer-term, higher yielding investments.

Recommendation:

The Board of Trustees immediately consider amending the current banking agreement to allow funds in excess of current short-term requirements to be invested in longer-term, higher yielding investments.

Status:

Implemented. The banking agreement was amended in April 1996. In addition, the board began investing in U.S. Treasury/Agency notes in June 1997, in order to obtain a longer-term, higher yield investment for excess cash balances.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Highway and Transportation Department and Missouri State Highway Patrol Medical and Life Insurance Plan was organized by the Missouri Highway and Transportation Commission on July 1, 1977, under the provisions of Section 104.270, RSMo. The plan was established to provide medical coverage on a self-insured basis, and death benefits on an insured basis. Beginning May 1, 1982, additional life insurance was made available as an option.

The responsibility for the proper administration of the plan and the direction of its policies is vested in a seven-member Board of Trustees. The board consists of four Missouri Department of Transportation (MoDOT) employees appointed by the chief engineer, two Missouri State Highway Patrol (MSHP) employees appointed by the superintendent, and one member who is retired from the MoDOT or MSHP who is appointed by the chief engineer and the superintendent, all of whom are subject to approval by the commission.

Board of Trustees as of June 30, 1998

Name	Department/Division	Term Expires
C. F. Barnes, Chairman	MoDOT/Business and Benefits	November 1999
Captain Terry Moore, Vice-chairman	MSHP/Human Resources	May 2004
Pam Otto, Secretary/Treasurer	MoDOT/Business and Benefits	November 2002
Captain Steve Johnson	MSHP/Traffic	November 2000
Al Laffoon	MoDOT/Bridge	January 2002
Dan Pritchard	MoDOT/Chief Counsel's Office	November 1998
Roy Bergman	Retiree Member	November 1999

All board members are appointed for a six-year term except for the retiree member who is appointed for a three-year term.

With the approval of the commission, the board has selected the following companies to provide services to the plan:

Westport Benefits, LLC*	Medical benefit claims administration, large case management, and cost containment**
HealthLink, Inc.	Network administration**
Monumental Life Insurance Company	Organ transplant benefits***
Standard Insurance Company	Death benefit insurance and optional life insurance****
Milliman & Robertson, Inc.	Consultant and actuarial services
Eckerd Health Services*****	Prescription drug benefit management services
Central Bank	Banking and investment services
Missouri Patient Care Review Foundation	Retrospective medical review

* Previously Genelco, Inc. Genelco was purchased by Westport Benefits, LLC.

** Prior to January 1, 1998, these services were performed by Alliance Blue Cross-Blue Shield.

*** Effective September 1, 1998, Legion Insurance Co. was awarded the new contract to provide these benefits.

**** Prior to May 1, 1996 these services were provided by Missouri Valley Life and Health Insurance Company.

***** Previously TDI Managed Care Services, Inc. Eckerd Drugs and TDI Managed Care Services, Inc. merged and TDI changed its name to Eckerd Health Services in 1997.

All other operations are performed by personnel of the MoDOT with the use of the department's facilities and equipment.

The plan is financed by state contributions, member contributions, and investment income. The monthly state contribution per employee has been:

Period	State Contribution Medical Care	Death Benefits
May 1, 1995 to April 30, 1996	$ 172.00	3.00
May 1, 1996 to December 31, 1996	172.00	3.45
January 1, 1997 to present	139.00	3.45

Effective February 1, 1996, the state's contribution for medical care for each retiree of the MSHP and MoDOT increased from $53.00 to $62.00 and from $9.00 to $62.00, respectively.

Member contributions are set by the board based on actuarial valuations and vary according to number of persons covered, eligibility for Medicare, and state contributions.

As of June 30, 1998, there were 24,672 participants in the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (18,394 with the MoDOT and 6,278 with the MSHP).

MISSOURI DEPARTMENT OF TRANSPORTATION AND
MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
SCHEDULE OF CONTRIBUTIONS
MEDICAL INSURANCE

Rate Groups	July 1, 1995			February 1, 1996			January 1, 1997			January 1, 1998		
	Member	State	Total	Member	State	Total	Member	State	Total	Member	State	Total
EMPLOYEE RECEIVING STATE CONTRIBUTION**												
One person	$ 0.00	172.00	172.00	$ 0.00	172.00	172.00	$ 0.00	139.00	139.00	$ 0.00	139.00	139.00
Family (multi-person)	90.00	267.00	357.00	90.00	267.00	357.00	90.00	205.00	295.00	90.00	205.00	295.00
Sponsored family member*	45.00	0.00	45.00	45.00	0.00	45.00	45.00	0.00	45.00	45.00	0.00	45.00
EMPLOYEE NOT RECEIVING STATE CONTRIBUTION (a) (b) **												
One person	172.00	0.00	172.00	172.00	0.00	172.00	139.00	0.00	139.00	139.00	0.00	139.00
Family (multi-person)	357.00	0.00	357.00	357.00	0.00	357.00	295.00	0.00	295.00	295.00	0.00	295.00
Sponsored family member*	60.00	0.00	60.00	60.00	0.00	60.00	60.00	0.00	60.00	60.00	0.00	60.00
RETIREE & LONG TERM DISABILITY RECIPIENT RECEIVING STATE CONTRIBUTION (a) (c)												
Highway Patrol												
One person	127.00	53.00	180.00	118.00	62.00	180.00	77.00	62.00	139.00	77.00	62.00	139.00
Family (multi-person)	287.00	53.00	340.00	278.00	62.00	340.00	233.00	62.00	295.00	233.00	62.00	295.00
Sponsored family member*	60.00	0.00	60.00	60.00	0.00	60.00	60.00	0.00	60.00	60.00	0.00	60.00
Medicare member	32.00	53.00	85.00	23.00	62.00	85.00	28.00	62.00	90.00	28.00	62.00	90.00
Department of Transportation												
One person	171.00	9.00	180.00									
Family (multi-person)	331.00	9.00	340.00									
Sponsored family member*	60.00	0.00	60.00									
Medicare member	76.00	9.00	85.00									
FORMER SPOUSE, SURVIVING SPOUSE AND/OR DEPENDENT, VESTED, & CONTINUOUS COVERAGE MEMBER												
One person	180.00	0.00	180.00	180.00	0.00	180.00	139.00	0.00	139.00	139.00	0.00	139.00
Family (multi-person)	340.00	0.00	340.00	340.00	0.00	340.00	295.00	0.00	295.00	295.00	0.00	295.00
Sponsored family member*	60.00	0.00	60.00	60.00	0.00	60.00	60.00	0.00	60.00	60.00	0.00	60.00
Medicare member	85.00	0.00	85.00	85.00	0.00	85.00	90.00	0.00	90.00	90.00	0.00	90.00

*These contribution rates cover only the sponsored family member and are paid in addition to the contribution rates for the other rate groups (one person and family). A sponsored family member is any person (except those eligible for dependent or medicare coverage) residing in the member's home who receives 50 percent or more of this or her support from the member and is shown on the member's federal income tax form as a dependent for the calendar year. Registered full-time students are not required to reside in the member's home.

**The Medicare member category for employees receiving a state contribution and employees not receiving a state contribution is not applicable. This is because they would fall either under the one person or family (multi-person) categories.

(a) Long term disability members were included in the category for employee not receiving state contribution until January 1, 1998, at which time they were added to the rate category for retirees.

(b) In 1998, employees not receiving state contribution consist of employees on a leave without pay. Prior to that time, this category also included long term disability members.

(c) Effective September 1, 1994, the state's contribution rate for retirees of the MSHP increased from $9 to $53 while the state's contribution for retirees of the MoDOT remained the same. Effective 2/1/96, the state share for all retirees increased to $62. Therefore, for 1995, retiree contribution for MSHP and MoDOT are reflected in separate categories. Thereafter the two categories were the same.

* * * * *

AUDIT REPORT

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI

CIRCUIT CRIMINAL DIVISION-
FINANCE DEPARTMENT - CASH BOND DEPOSITS

From The Office Of State Auditor
Claire McCaskill

Report No. 99-39
June 16, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

The following problems were discovered in the Circuit Clerk's office in the Twenty-Second Judicial Circuit, St. Louis City, Missouri. The Twenty-Second Judicial Circuit Criminal Division - Finance Department, is responsible for the accounting and reporting of funds deposited with the court in relation to criminal cases, including cash bond payments.

<u>Our audit uncovered theft</u>; information gathered during our review was turned over to the St. Louis City Circuit Attorney's Office and the St. Louis Metropolitan Police Department. The cashier/bookkeeper responsible for collecting some cash bond payments and recording all cash bond activity has been indicted by the circuit's grand jury for stealing.

All thefts reported in our audit occurred prior to January 1, 1999.

During our audit, we noted discrepancies between receipt records for cash bonds, monies deposited into the Finance Department's bank account, and other supporting bond records. Cash bond monies of at least $9,300 were taken and receipt records were altered to conceal the shortages.

Our review of the Finance Department's bond records noted the amounts paid for some of the cash bonds shown on the copy of the original receipt slip did not agree to the amounts on the receipt ledger. The amount recorded on the one-write receipt ledger had been altered after the original receipt slip was issued to reflect a lesser amount. These alterations were done to conceal the cash collected from bonds which was not deposited, but rather taken by an employee. Fifteen cash payments for bonds posted between December 20, 1997 and November 21, 1998, were altered and therefore portions of the cash bond payments received, totaling $9,300, were not properly recorded and deposited.

The missing money went undetected throughout the period noted due to weaknesses in several internal controls and reconciliation procedures, and a lack of segregation of duties.

The duties of receiving and recording cash bond monies collected by the Finance Department were not adequately segregated. The former bookkeeper performed both of these duties, as well as processing and recording bond disbursements. No one independent of the process reconciled bond receipts recorded in the one-write receipt ledger with amounts recorded in other bond records.

A list of the bonds received, but not paid out, has not been adequately maintained. This list should not only be accurately maintained, but reconciled to the balance in the bond account. The failure to reconcile the listing of bonds not yet paid out, to the money available to pay them in the bank, has contributed to the failure to detect the missing money.

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS

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CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk
Twenty-Second Judicial Circuit
St. Louis City, Missouri

We have conducted a special review of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, Circuit Criminal Division - Finance Department - Cash Bond Deposits. The scope of this review included, but was not limited to, the period of July 1, 1997 through December 31, 1998. The objectives of this review were to:

1. Investigate suspected irregularities in the collection, recording, and depositing of bond receipts and the related record-keeping system.

2. Determine the amount of funds misappropriated from this department.

3. Review and evaluate certain controls and procedures regarding the collection of and accounting for bond receipts related to the misappropriation.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of the Circuit Criminal Division - Finance Department and interviewed personnel of the department.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in the review of the Circuit Criminal Division - Finance Department - Cash Bond Deposits.

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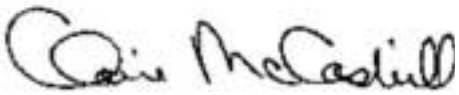
The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, Circuit Criminal Division - Finance Department - Cash Bond Deposits.



Claire McCaskill
State Auditor

April 30, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS
HISTORY AND ORGANIZATION

Organization

The Twenty-Second Judicial Circuit includes only St. Louis City. The circuit consists of twenty-four circuit judges, one of whom serves as presiding judge, seven associate circuit judges, and four commissioners.

In addition to the judges and commissioners, the personnel of the Twenty-Second Judicial Circuit, St. Louis City, Missouri includes a circuit clerk, twenty-six court reporters, a court administrator, a jury supervisor, a juvenile officer, and approximately 480 other court employees. Approximately 189 of these employees work under the supervision of the Circuit Clerk.

The Circuit Clerk is elected for a four-year term. The Circuit Clerk's Office plans, assigns, coordinates, and supervises the operation and administration of the circuit court presided over by the circuit judges. Duties of the Circuit Clerk include: docketing, clerical tasks, documentation of court matters, accounting and recording, receipting and disbursing funds through the circuit and associate circuit divisions, and administering most of the operations of the court.

The Circuit Clerk's Criminal Division-Finance Department is responsible for the collection and recording of bonds, restitution, fees, fines and court costs for criminal cases heard in the Circuit Court in the city of St. Louis, Missouri.

Personnel

The Honorable Michael B. Calvin was elected by the judges as Presiding Circuit Judge for a two year term on January 1, 1999.

Mariano V. Favazza was elected Circuit Clerk in November 1998 and replaced Mavis T. Thompson, effective January 1, 1999.

The Circuit Criminal Division-Finance Department consists of six positions: a supervisor, an assistant supervisor, a bookkeeper, two cashiers, and a backup cashier. Due to personnel turnover, some of these positions have occasionally been vacant. The Circuit Criminal Division also includes a Case Processing Department with 43 supervisory and clerical positions.

EXECUTIVE SUMMARY

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS
EXECUTIVE SUMMARY

Weaknesses in the internal controls and record-keeping system of the Circuit Clerk's Criminal Division - Finance Department allowed a misappropriation of cash bond deposits of at least $9,300 to occur during the period December 20, 1997 through November 21, 1998. Some cash bond monies were not properly recorded and cash was taken. Receipt records were altered to conceal the shortages.

This situation could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the accompanying Management Advisory Report had been established. Some of the same recommendations were also made in our prior audit report dated June 26, 1997.

MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS
MANAGEMENT ADVISORY REPORT

The Twenty-Second Judicial Circuit, St. Louis City, Missouri, Circuit Criminal Division - Finance Department, is responsible for the accounting and reporting of any funds deposited with the court in relation to criminal cases.

During our audit of the Office of Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, we noted discrepancies between receipt records for cash bonds, monies deposited into the Finance Department's bank account, and other supporting bond records. This special review was performed to more fully review the circumstances of these discrepancies and to determine the extent of misappropriated bond monies.

1. Missing Funds

The Circuit Criminal Division - Finance Department accepts cash, money orders, and attorneys' checks for payment of cash bonds and bond forfeitures. The Finance Department directly receives, either at the payment windows or through the mail, these payments during regular working hours. In addition, the department receives from the Pre-Trial Release Office (PTR), checks for bonds collected outside normal working hours. Bond payments are accompanied by bond index cards prepared by either the Circuit Criminal Division - Bonding Department or the PTR. These index cards indicate the amount of bond monies required to be paid to the Finance Department. Bond monies received are recorded in a one-write receipt system and are deposited into the Finance Department's bank account. The bonds are then recorded in a bond ledger and the bond index cards filed. The receipt slip is taken to the Bonding Department where a copy of the original receipt slip is made and filed in the case file. When applying for a bond refund, the payor must return the original receipt slip, which is then retained by the Finance Department.

During our review of the Finance Department's bond records, we noted the amounts paid for some of the cash bonds shown on the copy of the original receipt slip did not agree to the amounts on the receipt ledger. The amount recorded on the one-write receipt ledger had been altered after the original receipt slip was issued to reflect a lesser amount. These alterations were done to conceal the cash collected from bonds which was not deposited. Fifteen cash payments for bonds posted between December 20, 1997 and November 21, 1998, were altered and therefore portions of the cash bond payments received, totaling $9,300, were not properly recorded and deposited.

The misappropriation went undetected throughout the period noted due to weaknesses in several internal controls and reconciliation procedures, and a lack of segregation of duties as discussed later in this report.

In April 1999, the employment of the cashier/bookkeeper responsible for collecting some cash bond payments and recording all cash bond activity was terminated.

Information gathered during our review has been turned over to the St. Louis City Circuit Attorney's Office and the St. Louis Metropolitan Police Department.

WE RECOMMEND the Circuit Clerk work with law enforcement officials regarding restitution of the missing monies and any criminal prosecution considered necessary.

AUDITEE'S RESPONSE

We agree. We will completely cooperate with the prosecution of the case and have contacted the Office of the State Courts Administrator (OSCA) to initiate the process for reimbursement under the state blanket bond. Restitution, if forthcoming, would go to reimburse the state bond.

In addition, the newly employed internal auditor is reviewing each transaction of every employee who had similar unsegregated duties in earlier time periods which could have permitted them to commit similar acts of fraud. We intend to investigate any identified shortage through to resolution and will refer any suspicious acts to the proper law enforcement agency.

In addition, since May 1, 1999, the Criminal Finance Department has gone online with a computerized cashiering system similar to what is used for the Civil Cashier's Office. We will continue to operate the manual system parallel to the computerized system until we are reasonably certain that the computerized system is accurately recording transactions. Had the computerized system been in place since December 20, 1997, we believe the loss would have been identified at the time of the occurrence. The new system is designed to track receipts and disbursements for each category of transaction. The system will provide an accurate open-items listing and the cashiering system activity will be tied out with the Bonding Department system.

2. Accounting Controls and Procedures

A. A listing of bonds received and not yet paid out is to be prepared semiannually by the Finance Department. The Finance Department personnel could not locate open-items listings prepared prior to December 31, 1998. In addition, the bond open-items listings do not reconcile to the balance in the bond account. The total identified open items at December 31, 1998, exceeded the balance in the general ledger bond account

at that date by $638,112. The difference between the open-items listings and the balance in the bond account fluctuates. The total identified open items at June 30, 1997, exceeded the balance in the bond account at that date by $374,772. The failure to reconcile the open-items listing to the balance in the general ledger bond account on a periodic basis has contributed to the failure to detect the misappropriation noted above.

The listing of bond open-items prepared from all open bonds in the bond ledger at December 31, 1998 is not accurate. Errors were made by the Finance Department personnel when recording bond receipts and disbursements to the bond ledger. Duplicate receipt entries were made, bond forfeitures were recorded to the bond ledger in error, several fugitive bonds disbursed to other municipalities were never recorded in the bond ledger, and some other disbursements of bonds were not recorded. To properly account for all bonds, the Finance Department should ensure all bond receipts and disbursements are correctly posted to the various accounting records.

A complete and accurate open-items listing is necessary to ensure bonds are properly recorded and deposited and to ensure the monies held in trust by the Circuit Clerk are sufficient to meet liabilities. Open-items listings should be prepared timely and reconciled to the balance in the general ledger bond account.

B. The duties of receiving and recording cash bond monies collected by the Finance Department were not adequately segregated. The former Bookkeeper performed both of these duties, as well as processing and recording bond disbursements. No one independent of the process reconciled bond receipts recorded in the one-write receipt ledger with amounts recorded in other bond records.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by designating an employee without access to cash to perform a reconciliation or periodically review amounts recorded in the bond records and the one-write receipt ledger.

Similar conditions were noted in our prior report.

WE RECOMMEND the Circuit Clerk:

A. Investigate and resolve differences between the open-items listings and the balances in the general ledger bond account. Any identified shortage should be investigated and resolved. All bond receipts and disbursements should be properly recorded to the bond ledger, and accurate open-items listings should be prepared periodically and reconciled to the balance in the general ledger bond account.

B. Provide for an adequate level of segregation of duties between receiving, recording, and depositing monies collected by the Criminal Finance Department. In addition, the Circuit Clerk should provide for a documented review of accounting records by an independent person.

AUDITEE'S RESPONSE

A. We agree. It is our intention to resolve the differences between the open-items listing and the corresponding general ledger account and the bank account. The lack of automation in the Criminal Finance Department makes this process very difficult. We will need to develop an open-items listing for all types of receipts and to correct the open-items listing for bond receipts. This process is one of a ''special project'' nature and we will proceed on this matter once we have corrected ongoing financial practices and records for 1999 activity and forward. We will consult with CPAs from OSCA, the State Auditor's office, and outside firms in developing the procedures to be followed in addressing these issues.

B. We agree. Prior to the discovery of the theft there were plans to reorganize the Criminal Finance Department and segregate responsibilities and duties. Since the discovery of the theft, the office has undertaken the assignments to segregate duties and responsibilities for receiving, recording, and depositing monies collected by the Criminal Finance Department.

An Account Clerk III position has been redefined to undertake the bookkeeping process that is still being done by hand awaiting the completion of the computerized cashiering system. At present, no cashier who receipts money has any bookkeeping function, except completing the financial transaction on the one write system and placing the transaction into the computerized cash register. Under the current system, there is a supervisor who presently supervises the three cashiers and is responsible for the receiving and depositing of cash and checks. All other bookkeeping and taxing functions are done by employees not under the cashiers' supervisor. We believe by these actions we have complied with the recommendation.

This report is intended for the information of the judicial circuit's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

FIFTH JUDICIAL CIRCUIT

BUCHANAN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-38
May 24, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

Audit Report #99-38 *May 24, 1999*

The Fifth Judicial Circuit Court consists of Buchanan County and Andrew County.

The Fifth Judicial Circuit is made-up of four circuit judges and three associate circuit judges. The circuit judges hear cases throughout the circuit. Of the three associate circuit judges, two are located in Buchanan County and one is located in Andrew County.

In addition to the judges, the personnel of the Fifth Judicial Circuit, Buchanan County, Missouri, include a circuit clerk (who also collects and disburses fees for the associate and probate divisions), a juvenile officer who serves both Buchanan and Andrew Counties, and various other court personnel.

Circuit personnel located in Andrew County are not included in the scope of this audit, but are reported on separately.

The following findings are some of the recurring problems discovered after our office conducted an audit of the Fifth Judicial Circuit Court of Buchanan County, Missouri.

Our review of the accounting controls over child support receipts and the related accounts found that on December 31, 1998, a balance of $55,293 remained in four inactive child support bank accounts. This amount included outstanding checks totaling $44,685 dated from November 1989 through December 1997.

Our review of the Circuit Clerk's procedures for traffic, civil, and criminal fee accounts also noted on December 31, 1998, a balance of $12,618 remained in two inactive civil fee bank accounts. This amount included old outstanding checks totaling $10,200 dating from 1977 to 1997. In addition, the audit found there were $3,047 and $1,351 in outstanding checks over one year old in the current civil and criminal accounts, respectively.

The State Auditor recommended the Circuit Clerk adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

The duties of recording, depositing, reconciling, and disbursing child support monies are still not adequately segregated. In addition, there is no documented periodic supervisory review of the reconciliation of recorded receipts to deposits.

YELLOW SHEET

The State Auditor again recommended the Circuit Clerk segregate accounting duties to the extent possible to correct this finding.

-over-

The State Auditor also recommended that the Circuit Clerk attempt to identify the unidentified cash balance of $2,418 which currently exists in the civil fee account. Any amounts which cannot be identified should be disposed of in accordance with state law.

New findings noted during the audit included:

- Fees are not always paid to the Missouri Department of Revenue or the County Treasurer in a timely manner. For example, traffic fees collected in January 1997 were not turned over to the County Treasurer until April 29, 1997. State law requires that fees be turned over to the Department of Revenue and the County Treasurer within 30 days of collection.

- Invoices were not maintained to support some disbursements for the law library and the law library bank account was not maintained in an interest bearing account.

Court officials agreed with all findings and recommendations of the State Auditor.

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Fifth Judicial Circuit
Buchanan County, Missouri

We have audited the accompanying special-purpose financial statements of the various funds of the Fifth Judicial Circuit, Buchanan County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the various funds of the Fifth Judicial Circuit, Buchanan County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the judicial circuit.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1*, requires disclosure of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for

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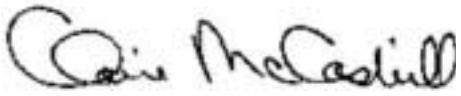
computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. The Fifth Judicial Circuit, Buchanan County, Missouri, has omitted such disclosures. We do not provide assurance that the judicial circuit is or will become year 2000-compliant, that the judicial circuit's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the judicial circuit does business will become year 2000-compliant.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the various funds of the Fifth Judicial Circuit, Buchanan County, Missouri, as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 18, 1999, on our consideration of the judicial circuit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, Buchanan County, and the Fifth Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

February 18, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Fifth Judicial Circuit
Buchanan County, Missouri

We have audited the special-purpose financial statements of the various funds of the Fifth Judicial Circuit, Buchanan County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated February 18, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Fifth Judicial Circuit, Buchanan County, Missouri are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various funds of the Fifth Judicial Circuit, Buchanan County, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters

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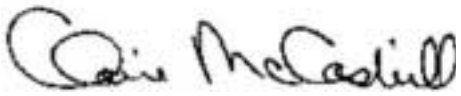
involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the judicial circuit's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial
reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Fifth Judicial Circuit, Buchanan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

February 18, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

	Circuit Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS				
Court deposits, fees, bonds, and other	$ 2,278,750	8,714	50,530	2,337,994
Child support	12,912,863		0	12,912,863
Interest income	19,224	18	0	19,242
Total Receipts	15,210,837	8,732	50,530	15,270,099
DISBURSEMENTS				
State of Missouri:				
Court fees	351,723	0	0	351,723
Title IV-D	653,993	0	0	653,993
County officials	594,760	0	0	594,760
Child support	12,118,496	0	0	12,118,496
Supplies and equipment	32,076	0	27,171	59,247
Refunds and other	1,331,934	8,615	0	1,340,549
Total Disbursements	15,082,982	8,615	27,171	15,118,768
RECEIPTS OVER (UNDER) DISBURSEMENTS	127,855	117	23,359	151,331
CASH, JANUARY 1	387,380	864	9,028	397,272
CASH, DECEMBER 31	$ 515,235	981	32,387	548,603

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

		Circuit Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS					
Court deposits, fees, bonds, and other	$	2,457,423	10,200	33,930	2,501,553
Child support		12,519,736	0	0	12,519,736
Interest income		16,949	30	0	16,979
Total Receipts		14,994,108	10,230	33,930	#VALUE!
DISBURSEMENTS					
State of Missouri:					
Court fees		361,110	0	0	361,110
Title IV-D		756,792	0	0	756,792
County officials		520,404	0	0	520,404
Child support		11,774,449	0	0	11,774,449
Supplies and equipment		11,007	0	25,524	36,531
Refunds and other		1,659,059	10,419	0	1,669,478
Total Disbursements		15,082,821	10,419	25,524	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS		-88,713	-189	8,406	#VALUE!
CASH, JANUARY 1		476,093	1,053	622	477,768
CASH, DECEMBER 31	$	387,380	864	9,028	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Fifth Judicial Circuit, Buchanan County, Missouri.

Receipts, disbursements, and changes in cash are presented for the various funds administered by the Fifth Judicial Circuit, Buchanan County, Missouri. The operating costs of the offices within the circuit are paid directly from appropriations authorized by the County Commissions within the judicial circuit and the state of Missouri and are not included in these financial statements. The funds administered by the circuit officials located in Andrew County are reported on separately.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash for the Fifth Judicial Circuit, Buchanan County, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Fifth Judicial Circuit, Buchanan County, Missouri, includes the transactions of the Circuit Clerk, the Juvenile Office, and the Law Library. Each officeholder has been charged with the responsibility of administering the transactions in his or her division.

The Circuit Clerk has been charged with the responsibility of administering the transactions of the circuit divisions, the associate circuit divisions, and the probate division. The Juvenile Officer is charged with the responsibility of administering the transactions of the Juvenile Office Fund. The law library custodian, appointed by the presiding judge, has been charged with the responsibility of administering transactions of the Law Library Fund.

The Fifth Judicial Circuit, Buchanan County, Missouri, administers transactions within the following funds:

Circuit Division Fund: This fund accounts for transactions of the Circuit Clerk's office, the associate circuit divisions, and the probate division. The transactions include the receipts and disbursements for the fee, traffic, child support, probate, and interest accounts. These transactions also include the receipts and disbursements of some circuit court cases in which the Circuit Clerk has been named trustee to invest the assets under Section 483.310, RSMo 1994.

Juvenile Office Fund: This fund accounts for transactions of the juvenile office. These transactions include the receipt and disbursement of restitution payments.

Law Library Fund: This fund accounts for transactions of the law library, including fees collected from circuit division deposits and the related interest income. Disbursements are legally restricted for maintenance of a law library.

2. Cash

Section 483.310, RSMo Cumulative Supp. 1998, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

The circuit court's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the court's custodial bank in the circuit court's name.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Circuit Clerk - Fee Accounts (pages 16-17)

   Checks totaling $14,598 have been outstanding for over a year and $2,418 in an inactive fee account remains unidentified. Also, fees to the state and the county are not paid in a timely manner.

2. Circuit Clerk - Child Support Accounts (pages 17-18)

   Accounting and bookkeeping duties are not adequately segregated. Checks totaling $44,685 have been outstanding for over a year.

3. Law Library (pages 18-19)

   Original invoices are not maintained for some disbursements. Law library monies are not deposited into an interest-bearing account.

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Fifth Judicial Circuit, Buchanan County, Missouri, as of and for the years ended December 31, 1998, and 1997, and have issued our report thereon dated February 18, 1999. That report expressed a qualified opinion on the special-purpose financial statements.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the judicial circuit's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Circuit Clerk - Fee Accounts

During our review of the Circuit Clerk's procedures for traffic, civil, and criminal fee accounts the following concerns were noted:

A. A balance of $12,618 remained in two inactive civil fee bank accounts at December 31, 1998. This amount included old outstanding checks totaling $10,200 written to identified payees dating from 1977 to 1997. In addition, there were $3,047 and $1,351, in outstanding checks over one year old in the current civil and criminal accounts, respectively, at December 31, 1998.

The circuit division should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

B. The Circuit Clerk's office prepares a listing of open items monthly and attempts to reconcile these listings to the cash balance of the civil fee account. However, differences existed between the old civil fee account open-items listing and the reconciled cash balance throughout the audit period with the difference fluctuating from month to month. At December 31, 1998, the reconciled cash balance exceeded the open items listing by $2,418.

An accurate open-items list helps to ensure that receipts and disbursements are properly handled and accurately posted to the case fee sheets, and to verify there is sufficient cash to satisfy all liabilities. The Circuit Clerk should make an effort to identify any liabilities associated with the excess cash balance. Any amount which remains unidentified, should be disposed of in accordance with state law.

C. Fees are not always paid to the Missouri Department of Revenue (DOR) or the County Treasurer in a timely manner. For example, traffic fees collected in January 1997 were not turned over to the County Treasurer until April 29, 1997.

Section 488.023, RSMo Cumulative Supp. 1998, requires that fees be turned over to the DOR and the County Treasurer within 30 days of collection.

Conditions similar to A and B were also noted in our two prior reports.

WE RECOMMEND the Circuit Clerk:

A. Cancel old outstanding checks and reissue them if the payees can be located. If the payees cannot be located, the monies should be disposed of in accordance with state law. In addition, procedures to routinely follow up and reissue old outstanding checks, if applicable, should be adopted.

B. Attempt to identify the unidentified cash balance which currently exists in the civil fee account. Any amounts which cannot be identified should be disposed of in accordance with state law.

C. Ensure that fees are paid to the DOR and the County Treasurer in a timely manner.

AUDITEE'S RESPONSE

The Circuit Clerk concurred with the recommendations.

2. Circuit Clerk - Child Support Accounts

Child support receipts collected by the circuit division totaled approximately $12.9 million and $12.5 million during the years ended December 31, 1998, and 1997, respectively. Our review of the accounting controls over these receipts and the related accounts disclosed the following concerns:

A. The duties of recording, depositing, reconciling, and disbursing child support monies are not adequately segregated. The child support bookkeeper performs all of these duties. In addition, there is no documented periodic supervisory review of the reconciliation of recorded receipts to deposits.

To adequately safeguard monies and reduce the risk of loss, theft, or misuse of funds, the duties of depositing monies should be segregated from recording transactions. If duties cannot be segregated, there should be a documented independent comparison of recorded receipts to amounts deposited.

B. A balance of $55,293 remained in four inactive child support bank accounts at December 31, 1998. This amount included outstanding checks totaling $44,685 written to identified payees dated from November 1989 through December 1997.

The circuit division should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

Similar conditions were also noted in our two prior reports.

WE AGAIN RECOMMEND the Circuit Clerk:

A. Adequately segregate accounting duties to the extent possible. At a minimum, an independent person should perform and document reviews of the work performed.

B. Cancel old outstanding checks and reissue them if payees can be located. If payees cannot be located, the monies should be disposed of in accordance with state law. In addition, procedures to routinely follow up and reissue old outstanding checks, if applicable, should be adopted.

AUDITEE'S RESPONSE

The Circuit Clerk concurred with the recommendations.

3. Law Library

The Buchanan County Circuit Clerk maintains custody of the Law Library Fund checking account. During our review of the law library accounting controls and procedures we noted the following concerns:

A. During our review, we noted that original invoices are not retained to support some disbursements. The invoices are used to verify the vendors' statements and are then discarded.

To ensure all purchases made from the law library account are reasonable and valid, original invoices should be retained for all expenditures.

B. The Law Library Fund is maintained in a noninterest-bearing checking account. Bank balances were $29,297 and $9,343 at December 31, 1998 and 1997, respectively. To maximize revenues, Law Library monies should be deposited into an interest-bearing account.

WE RECOMMEND the Presiding Judge:

A. Require the law library custodian to retain original invoices to support all expenditures made from the Law Library account.

B. Ensure Law Library Fund monies are deposited into an interest-bearing account.

AUDITEE'S RESPONSE

The Presiding Judge concurred with the recommendations and intends to make these changes.

This report is intended for the information of the management of the Fifth Judicial Circuit, Buchanan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Fifth Judicial Circuit, Buchanan County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the judicial circuit should consider implementing these recommendations.

1. Circuit Division - Child Support Accounts

   A. Accounting and bookkeeping duties were not adequately segregated.

   B. A balance of $5,581 remained in four inactive child support accounts at December 31, 1994. This amount included outstanding checks totaling $3,461 and $2,120 in unidentified monies. In addition, at that date, checks written on the current child support accounts totaling $17,153 had been outstanding for more than one year.

   C. The composition of receipts was not reconciled to the composition of deposits.

   Recommendation:

   The Circuit Clerk:

   A. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review performed of the various bookkeeping functions of that office.

   B. Cancel old outstanding checks and reissue them if the payee can be located. In addition, an effort should be made to identify all monies remaining in the inactive child support accounts. If the payees cannot be located or if all monies cannot be identified, the monies should be disposed of through the applicable statutory provisions. In addition, procedures to routinely follow up and reissue long outstanding checks, if applicable, should be adopted.

   C. Reconcile the composition of receipts according to the receipt listing to the composition of deposits made, at least on a test basis. Such reconciliations should be documented.

   Status:

   A&B. Not implemented. See MAR No. 2.

   C. Implemented.

2. Circuit Division - Fee Accounts

A. Monthly listings of open-items were not reconciled to the monthly cash balances, and the resulting unreconciled differences fluctuated each month.

B. At December 31, 1994, checks written on the old fee account totaling $4,676 had been outstanding for more than five years.

C. Checks and money orders were not restrictively endorsed until the deposit was prepared.

Recommendation:

The Circuit Clerk:

A. Investigate and resolve differences between the monthly open-items listings and the reconciled cash balances. Any identified shortage should be investigated and resolved. Any excess balance which cannot be ultimately identified should be turned over to the Unclaimed Fees Fund.

B. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, procedures to routinely follow up and reissue any long outstanding checks should be adopted.

C. Restrictively endorse checks and money orders immediately upon receipt.

Status:

A. Partially implemented. The new civil fee account and traffic fee account open items agree to the reconciled cash balance; however, an unidentified difference of $2,418 still exists between the old civil fee account reconciled cash balance and open items, and an unidentified difference of $125 still exists between the criminal fee account reconciled cash balance and open items. See MAR No. 1.

B. Not implemented. See MAR No. 1.

C. Partially implemented. Civil fee receipts are restrictively endorsed immediately upon receipt; however, mail, criminal, and traffic receipts are not restrictively endorsed until the daily deposit is prepared. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Juvenile Office

A. Juvenile office employees who handled restitution monies were not bonded.

B. The juvenile office did not maintain a summary record of restitution amounts owed to victims by juveniles or a listing of amounts which were no longer pursued due to the respective juveniles moving out of the area.

C. Checks and money orders were not restrictively endorsed until the deposit was prepared.

Recommendation:

The Juvenile Office:

A. Consider obtaining adequate bond coverage for those persons handling restitution monies.

B. Continue to maintain an adequate summary record of restitution amounts owed from juvenile offenders. In addition, any amounts which are no longer being pursued for collection should be documented.

C. Restrictively endorse checks and money orders immediately upon receipt.

Status:

A, B & C. Implemented.

4. Law Library

Perpetual inventory records of the law library were not maintained and an annual physical inventory of the law library was not performed.

Recommendation:

The Circuit Judge require that a perpetual inventory system for the law library be established. In addition, physical inventories of the law library should be performed periodically and compared to the perpetual records.

Status:

Not implemented. Due to the court's current movement to an automated law library, this recommendation is no longer considered necessary.

STATISTICAL SECTION

History, Organization, and
Statistical Information

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Fifth Judicial Circuit consists of Buchanan County and Andrew County.

The Fifth Judicial Circuit consists of four circuit judges and three associate circuit judges. The circuit judges hear cases throughout the circuit. One circuit judge is elected presiding judge by the court en banc and is responsible for administration of the circuit. Of the three associate circuit judges, two are located in Buchanan County and one is located in Andrew County.

In addition to the judges, the personnel of the Fifth Judicial Circuit, Buchanan County, Missouri, include a circuit clerk (who also collects and disburses fees for the associate and probate divisions), a juvenile officer who serves both Buchanan and Andrew Counties, and various other court personnel.

Circuit personnel located in Andrew County are not included in the scope of this audit, but are reported on separately.

Operating Costs

The operating expenses of the various courts and the Juvenile Detention Center (Children's Home) are paid by Buchanan County. The operating expenses for the circuit judges, court reporters, and the juvenile office are paid for by the two counties in the circuit based on the percentage of each county's population to the total circuit population.

The salaries of court personnel are paid by the state of Missouri. The salaries of the Juvenile Detention Center (Children's Home) personnel are paid by Buchanan County. The salaries of the remaining juvenile office personnel are paid by the two counties in the circuit based on the percentage of each county's population to the total circuit population. The salary of the juvenile officer is paid by the state of Missouri and by Buchanan County.

Expenditures incurred for the Fifth Judicial Circuit, Buchanan County, Missouri, were obtained from the Buchanan County annual report and information provided by the State Courts Administrator's Office and are as follows:

	Year Ended December 31,					
	1998			1997		
	State of Missouri	Buchanan County		State of Missouri	Buchanan County	
	Personal Service	Personal Service	Expenses	Personal Service	Personal Service	Expenses
Circuit courts:						
Divisions I-IV	$ 409,998	211,848	138,631	393,572	112,423	142,218
Associate Circuit Courts:						
Divisions V-VI	170,316	0	0	163,584	0	0
Circuit Clerk	725,588	4,652	48,658	694,494	2,560	53,068
Juvenile Division	36,146	1,005,534	509,526	34,307	931,404	393,519
Court Reporters	131,943	0	0	124,600	0	0
	$ 1,473,991	1,222,034	696,815	1,410,557	1,046,387	588,805

Caseload Statistics

Caseload statistics of the filings and dispositions of the Fifth Judicial Circuit, Buchanan County, Missouri, provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

	Year Ended June 30,			
	1998		1997	
	Filings	Dispositions	Filings	Dispositions
Civil	3,940	3,605	3,637	3,434
Criminal	8,873	8,701	9,338	8,761
Juvenile	600	579	528	560
Probate	229	197	205	181
	13,642	13,082	13,708	12,936

Personnel

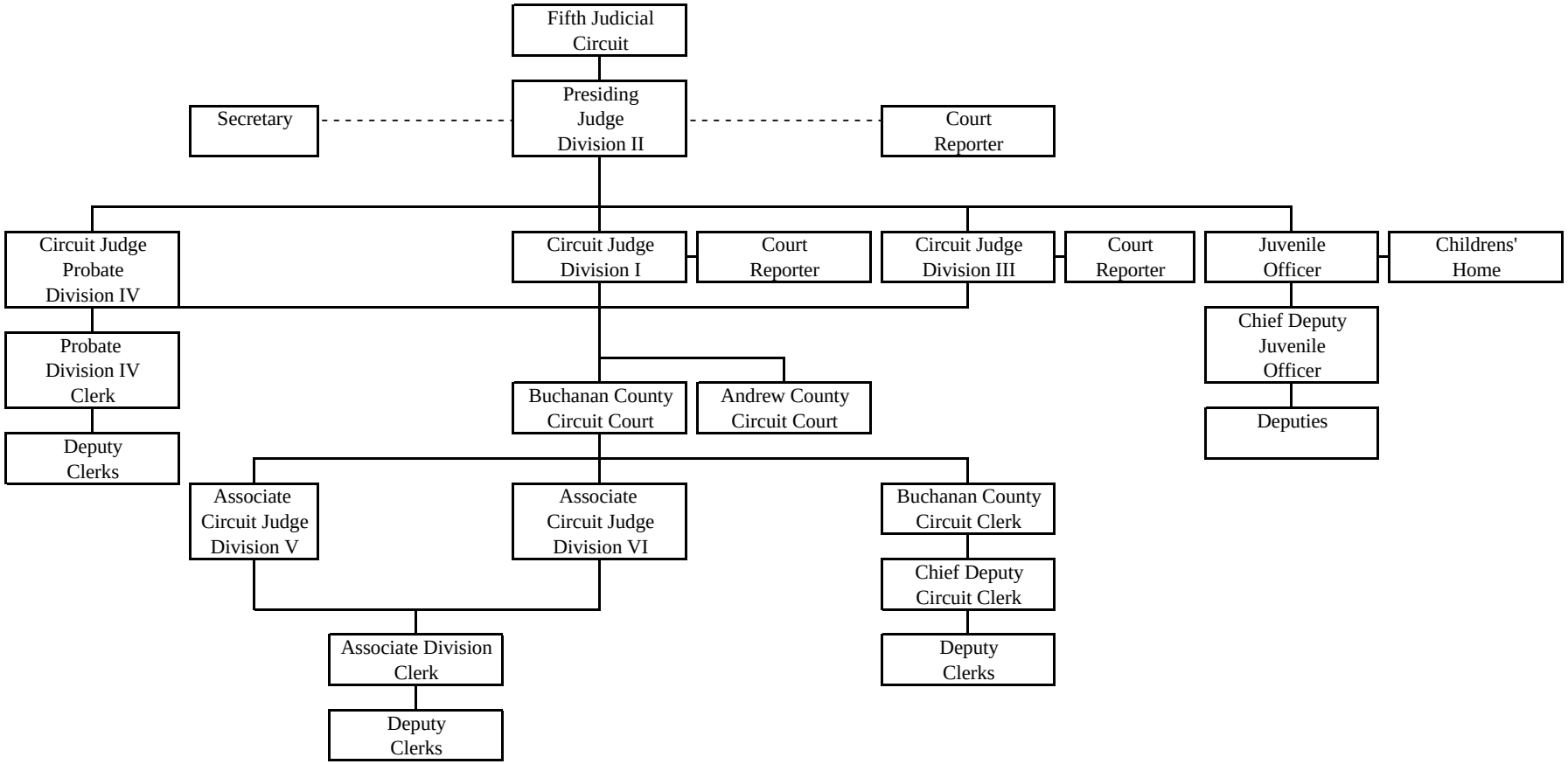
At December 31, 1998, the judges, Circuit Clerk, and Juvenile Officer of the Fifth Judicial Circuit, Buchanan County, Missouri, were:

Patrick K. Robb, Circuit Judge, Division III (Presiding Judge)
Randall R. Jackson, Circuit Judge, Division I

Weldon C. Judah, Circuit Judge, Division II
James William (Bill) Roberts, Circuit Judge, Division IV
Keith Marquart, Associate Circuit Judge, Division V
Daniel F. Kellogg, Associate Circuit Judge, Division VI
Ireene Mooney, Circuit Clerk
John R. Johnson, Juvenile Officer

An organization chart follows.

FIFTH JUDICIAL CIRCUIT
BUCHANAN COUNTY, MISSOURI
ORGANIZATION CHART
DECEMBER 31, 1998



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TWENTIETH JUDICIAL CIRCUIT

FRANKLIN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-37
May 21, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

Audit Report # 99-37 *May 21, 1999*

The Twentieth Judicial Circuit consists of Franklin County as well as the counties of Gasconade and Osage.

The Twentieth Judicial Circuit is made-up of two circuit judges and five associate circuit judges. The circuit judges hear cases throughout the circuit. Of the five associate circuit judges, three are located in Franklin County and preside over the Associate Circuit Court (Divisions VI and VII) and the Probate Division Court (Division V). The other two associate judges are located in the counties of Gasconade and Osage.

Circuit personnel located in Gasconade and Osage counties are not included in the scope of this audit but are reported on separately.

The juvenile officer's home base is Franklin County, but he also serves residents of Gasconade and Osage counties.

The following findings are some of the problems discovered after our office conducted an audit of the Twentieth Judicial Circuit Court of Franklin County, Missouri.

Associate Division VI & Associate Division VII

Both Associate Division VI and Associate Division VII have remaining accounting control and procedures problems pointed out to the Circuit in 1995.

The duties of receiving, recording, and depositing monies collected by Associate Division VI and Associate Division VII are not adequately segregated. Currently, any of the five employees in Division VI have the authority to perform all of the duties related to the collection, recording, and deposit of court monies. In Division VII, one of the division clerks performs all these duties with help from the deputy clerk in receiving and recording monies.

The State Auditor recommended that both divisions adequately segregate the duties of receiving, recording, and depositing court monies. At a minimum, there should be a documented supervisory review by an independent person of the bank reconciliations and the comparison of recorded receipts to amounts deposited. Court officials in Division VI said they will comply with the recommendation, while Division VII responded that the judge is now reviewing the bank statements on a monthly basis.

-over-

YELLOW SHEET

Both Associate Division VI and Associate Division VII do not always issue civil account receipt slips immediately upon receipt of monies. The Court Clerks in both divisions indicated that monies are receipted as time permits, and sometimes filing fees are held and not receipted until a case is actually opened. In Division VII we also found that checks and money orders are not restrictively endorsed immediately upon receipt. Similar conditions were also noted in the audit report issued in 1995, but these problems still exist. The court now indicates it will start restrictive endorsements and will try to correct the other problems.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be entered into the receipt ledger and checks and money orders restrictively endorsed immediately upon receipt, and deposits should be made daily.

Juvenile Office

The juvenile office maintains a bank account for court ordered restitution payments and donations. This restitution account includes two types of money, restitution monies received from juveniles and donations used to pay restitution in exchange for community service hours worked by the juvenile who committed the crime.

Our review of the juvenile office's accounting controls and procedures related to restitution payments found that an accurate balance is not maintained for each type of money held in the account. Furthermore, monthly listings of open items (liabilities) for the restitution monies are not prepared. Also there is no supervisory review of the accounting records, and receipt slips were not issued for some monies received. **We pointed these problems out to the juvenile office in 1995, however corrections were not made.** The Juvenile Officer now indicates that all recommendations have been implemented.

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Twentieth Judicial Circuit
Franklin County, Missouri

We have audited the accompanying special-purpose financial statements of the various funds of the Twentieth Judicial Circuit, Franklin County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the various funds of the Twentieth Judicial Circuit, Franklin County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the judicial circuit.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1*, requires disclosure of certain matters regarding the year 2000 issue. The Twentieth Judicial Circuit, Franklin County, Missouri, has included such disclosures in Note 3. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the judicial circuit's

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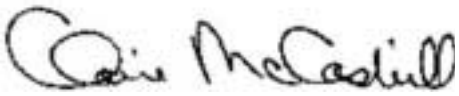
disclosures with respect to the year 2000 issue made in Note 3. Further, we do not provide assurance that the judicial circuit is or will become year 2000-compliant, that the judicial circuit's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the judicial circuit does business will become year 2000-compliant.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the various funds of the Twentieth Judicial Circuit, Franklin County, Missouri, as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 17, 1999, on our consideration of the judicial circuit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, Franklin County, and the Twentieth Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

February 17, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Twentieth Judicial Circuit
Franklin County, Missouri

We have audited the special-purpose financial statements of the various funds of the Twentieth Judicial Circuit, Franklin County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated February 17, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various funds of the Twentieth Judicial Circuit, Franklin County, Missouri, are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various funds of the Twentieth Judicial Circuit, Franklin County, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to

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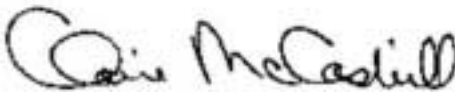
be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the judicial circuit's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Twentieth Judicial Circuit, Franklin County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

February 17, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

	Circuit Division Fund	Associate Division VI Fund	Associate Division VII Fund	Probate Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS							
Court deposits, fees, bonds, and others	$ 1,696,545	1,062,179	1,099,772	55,936	7,308	12,736	3,934,476
Child support	5,820,127	0	0	0	0	0	5,820,127
Interest income	16,167	2,291	2,659	1,069	0	616	22,802
Total Receipts	7,532,839	1,064,470	1,102,431	57,005	7,308	13,352	9,777,405
DISBURSEMENTS							
State of Missouri:							
Court fees	114,583	145,765	164,854	25,021	0	0	450,223
Title IV-D	309,582	0	0	0	0	0	309,582
County officials	166,210	440,433	492,657	14,368	0	0	1,113,668
Child support	5,457,759	0	0	0	0	0	5,457,759
Supplies and equipment	798	0	4,847	450	0	4,298	10,393
Refunds and other	1,477,460	483,674	438,254	25,582	7,375	600	2,432,945
Total Disbursements	7,526,392	1,069,872	1,100,612	65,421	7,375	4,898	9,774,570
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,447	-5,402	1,819	-8,416	-67	8,454	2,835
CASH, JANUARY 1	512,154	46,663	75,702	58,165	1,784	25,010	719,478
CASH, DECEMBER 31	$ 518,601	41,261	77,521	49,749	1,717	33,464	722,313

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

	Circuit Division Fund	Associate Division VI Fund	Associate Division VII Fund	Probate Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS							
Court deposits, fees, bonds, and others	$ 930,014	905,463	930,338	78,446	7,673	11,162	2,863,096
Child support	5,491,444	0	0	0	0	0	5,491,444
Interest income	14,761	1,647	2,708	1,149	0	483	20,748
Total Receipts	6,436,219	907,110	933,046	79,595	7,673	11,645	8,375,288
DISBURSEMENTS							
State of Missouri:							
Court fees	129,533	135,238	142,454	37,875	0	0	445,100
Title IV-D	434,313	0	0	0	0	0	434,313
County officials	162,299	412,859	410,810	14,321	0	0	1,000,289
Child support	5,056,690	0	0	0	0	0	5,056,690
Supplies and equipment	22,346	6,291	3,296	4,290	0	4,303	40,526
Refunds and other	622,728	350,849	395,382	10,272	8,049	650	1,387,930
Total Disbursements	6,427,909	905,237	951,942	66,758	8,049	4,953	8,364,848
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,310	1,873	-18,896	12,837	-376	6,692	10,440
CASH, JANUARY 1	503,844	44,790	94,598	45,328	2,160	18,318	709,038
CASH, DECEMBER 31	$ 512,154	46,663	75,702	58,165	1,784	25,010	719,478

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Twentieth Judicial Circuit, Franklin County, Missouri.

Receipts, disbursements, and changes in cash are presented for the various funds administered by the Twentieth Judicial Circuit, Franklin County, Missouri. The operating costs of the offices within the circuit are paid directly from appropriations authorized by the County Commissions within the judicial circuit and the state of Missouri and are not included in these financial statements. The funds administered by the circuit officials located in Osage and Gasconade counties are reported on separately.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash for the Twentieth Judicial Circuit, Franklin County, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Twentieth Judicial Circuit, Franklin County, Missouri, includes the transactions of the Circuit Division, the Associate Circuit Divisions, the Probate Division, the Juvenile Office, and the Law Library Fund. Each officeholder has been charged with the responsibility of administering the transactions in his or her division. The Law Library Fund is maintained by the Circuit Clerk and one of his deputies. The Twentieth Judicial Circuit, Franklin County, Missouri, administers transactions within the following funds:

Circuit Division Fund: This fund accounts for the transactions of the Circuit Clerk's office. These transactions include receipts and disbursements of the criminal, civil, and child support accounts.

Associate Division VI Fund: This fund accounts for the transactions of the Associate Division VI. These transactions include receipts and disbursements of court costs, fines, fees, bonds, and interest income.

Associate Division VII Fund: This fund accounts for the transactions of the Associate Division VII. These transactions include receipts and disbursements of court costs, fines, fees, bonds, and interest income.

Probate Division Fund: This fund accounts for the transactions of the Probate Division. These transactions include receipts and disbursements of court deposits and fees.

Juvenile Office Fund: This fund accounts for the transactions of the Juvenile Office. These transactions include receipts and disbursements of restitution payments and donations.

Law Library Fund: This fund accounts for the transactions of the law library, including fees collected from Circuit Division deposits and the related interest income. Disbursements are legally restricted for maintenance of a law library.

2. Cash

Section 483.310, RSMo Cumulative Supp. 1998, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

The circuit court's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the court's custodial bank in the circuit court's name.

3. Year 2000 Compliance

Circuit Division:

Several tests have been completed to determine if the current system used for the administration of the courts is compatible for the problems caused by the year 2000. Although the hardware is Y2K compatible, it has been determined that the software is not Y2K compatible. The Office of the State Courts Administrator (OSCA) computer division has indicated that the circuit division is scheduled to convert to the statewide automation system, BANNER. This conversion will take place sometime during the summer of 1999, while the equipment for this system is to be in place by the end of March 1999. The OSCA has indicated that the new computer system will be Y2K compatible. The new federally mandated child support system, MACSS, is Y2K compatible.

Associate Division VI:

This division has relied on information from the OSCA regarding the ACMS system and its compliance for Y2K. This system is used for traffic, misdemeanors and felonies and involves three of the division's five computers. The OSCA has indicated that they are working on the Y2K concern relating to the ACMS system. The division will be notified when the work is complete.

The other two computers used by this division do not use state systems or programs and should be Y2K compatible.

Associate Division VII:

This division completed most of the updating for the year 2000 in late 1998. Computers within this division are the major areas of Y2K concern. The new computers in this division are reported to be fully compliant for the year 2000. The OSCA has indicated that they are working on the Y2K concern relating to the ACMS system and they plan to be fully compliant for the year 2000. The division will be notified when the work is complete. Other matters beyond the division's control could impact the operations of the courts.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Associate Division VI's Accounting Controls and Procedures (pages 17-18)

   Accounting duties are not adequately segregated, receipt slips for civil monies collected are not issued immediately upon receipt and civil monies are not deposited timely. Civil receipt slips do not indicate the method of payment and reconciliations are not performed between the composition of court receipts and composition of deposits.

2. Associate Division VII's Accounting Controls and Procedures (pages 18-19)

   Accounting duties are not adequately segregated, receipt slips for civil monies collected are not issued immediately upon receipt, and civil monies are not deposited timely. Checks and money orders are not restrictively endorsed immediately upon receipt.

3. Juvenile Officer's Accounting Controls and Procedures (pages 20-21)

   Accounting duties are not adequately segregated and monies in the restitution account are not adequately classified by type and properly identified by case. Receipt slips are not always issued for monies received and do not indicate method of payment received.

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Twentieth Judicial Circuit, Franklin County, Missouri, as of and for the two years ended December 31, 1998, and have issued our report thereon dated February 17, 1999. That report expressed a qualified opinion on the special-purpose financial statements. The following Management Advisory Report presents our findings and recommendations arising from our audit of the judicial circuit's special-purpose financial statements.

1. Associate Division VI's Accounting Controls and Procedures

A. The duties of receiving, recording, and depositing monies collected by the Associate Division VI are not adequately segregated. Currently, any of the five employees in Division VI have the authority to perform all of the duties related to collecting, recording, and depositing court monies. The judge indicated he occasionally performs a review of bank reconciliations, but this is not documented.

To adequately safeguard monies and reduce the risk of loss, theft, or misuse of funds, the duties of receiving and depositing monies should be segregated from recording transactions and reconciling the bank account. If duties cannot be segregated, at a minimum, there should be a documented independent review of the bank reconciliation and a comparison of recorded receipts to amounts deposited.

B. The court does not always issue civil account receipt slips immediately upon receipt of monies. The Court Clerk indicated that monies are receipted as time permits, but sometimes filing fees are held and not receipted until a case is actually opened. In addition, civil receipts are not deposited on a timely basis. During our review, we observed 29 checks totaling over $1,000 for garnishments and civil filing fees that were not receipted or deposited; a few were held four to six weeks from the date on the check. Deposits are generally made about twice a week and average approximately $2,200.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be entered into the receipt ledger immediately upon receipt and deposits should be made daily or when accumulated receipts exceed $100.

C. Our review noted the following regarding verification of composition:

1) The civil receipt ledgers used by Associate Division VI do not indicate the method of payment received.

2) Although the method of payment is documented on the receipt slips issued for bonds and criminal fees, the Associate Division VI does not reconcile the composition of receipt slips to the composition of deposits.

To ensure receipts are deposited intact, the method of all payments received should be indicated on the receipt slips and the composition of receipt slips issued should be reconciled to the composition of deposits.

Similar conditions were also noted in our two prior reports.

WE AGAIN RECOMMEND the Associate Division VI:

A. Adequately segregate the duties of receiving, recording, and depositing court monies. At a minimum, there should be a documented supervisory review by an independent person of the bank reconciliations and the comparison of recorded receipts to amounts deposited.

B. Enter all receipts in the receipt ledger immediately upon receipt, and deposit receipts daily or when accumulated receipts exceed $100.

C.1. Indicate the method of payment in the civil receipt ledger.

2. Reconcile total cash, checks, and money orders received to the amounts deposited in each respective account.

AUDITEE'S RESPONSE

The Associate Circuit Judge, Division VI, and the Division Clerk provided the following responses:

A,C.1, &C.2. We will comply.

B. New case filing deposits and garnishment deposits are normally held until the work is processed because we indicate the return date on the receipt. We will try harder to comply.

2. Associate Division VII's Accounting Controls and Procedures

A. The duties of receiving, recording, and depositing monies collected by the Associate Division VII are not adequately segregated. Currently, one of the division clerks performs all these duties with help from the deputy clerk in receiving and recording monies. The judge indicated he occasionally performs a review of bank reconciliations, but this is not documented.

To adequately safeguard monies and reduce the risk of loss, theft, or misuse of funds, the duties of receiving and depositing monies should be segregated from recording transactions and reconciling the bank account. If duties cannot be segregated, at a minimum, there should be a documented independent review of the bank reconciliation and a comparison of recorded receipts to amounts deposited.

B. The court does not always issue civil account receipt slips immediately upon receipt of monies. The Court Clerk indicated that filing fees are sometimes held and not receipted until a case is actually opened. In addition, civil receipts are not deposited on a timely basis. Deposits are generally made about one or two times a week and average approximately $2,500.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be entered into the receipt ledger immediately upon receipt and deposits should be made daily or when accumulated receipts exceed $100.

C. Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, these negotiable instruments should be restrictively endorsed immediately upon receipt.

Conditions B and C were also noted in our prior report.

WE RECOMMEND the Associate Division VII:

A. Adequately segregate the duties of receiving, recording, and depositing court monies. At a minimum, there should be a documented supervisory review by an independent person of the bank reconciliations and the comparison of recorded receipts to amounts deposited.

B. Enter all receipts in the receipt ledger immediately upon receipt, and deposit receipts daily or when accumulated receipts exceed $100.

C. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Associate Circuit Judge, Division VII, and the Division Clerk provided the following responses:

A. The Judge is now reviewing the bank statements on a monthly basis.

B. We will consider receipting, endorsing, and depositing the civil checks upon receipt and opening the case file when time allows. It is a logistical problem to make those deposits more timely.

C. We will start doing this.

3. Juvenile Officer's Accounting Controls and Procedures

The juvenile office maintains a bank account for court ordered restitution payments and donations. Our review of the juvenile office's accounting controls and procedures related to restitution payments disclosed the following concerns:

A. There is no supervisory review of the accounting records. The juvenile office bookkeeper is responsible for issuing receipt slips, preparing deposits, posting receipts to the cash control and restitution files, and preparing the bank reconciliation.

   To adequately safeguard monies and reduce the risk of loss, theft, or misuse of funds, the duties of receiving and depositing monies should be segregated from recording transactions and reconciling the bank account. If duties cannot be segregated, at a minimum, there should be a documented independent review of the bank reconciliation and a comparison of recorded receipts to amounts deposited.

B. The restitution account includes restitution monies received from juveniles and paid to the applicable victims, and United Fund monies which are donations used to pay restitution to the applicable victim in exchange for community service hours worked by the applicable juvenile. An accurate balance is not maintained for each type of money held in the account. Furthermore, monthly listings of open items (liabilities) for the restitution monies are not prepared. At December 31, 1998, the restitution account had a balance of $ 1,718.

   Maintenance of a running balance for each type of money in the restitution account, and a monthly listing of open items, is necessary to ensure proper accountability over open cases and to ensure the monies held in trust by the juvenile office are sufficient to meet liabilities.

C. Receipt slips are not always prepared for monies received. To adequately account for all receipts, receipt slips should be issued for all monies collected and the numerical sequence should be accounted for properly.

D. The receipt slips that are issued by the juvenile office do not always indicate the method of payment received. To ensure receipts are deposited intact, the method of all payments received should be indicated on the receipt slips. The composition of receipt slips issued should be reconciled to the composition of deposits.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the Juvenile Office:

A. Adequately segregate the duties of receiving, recording, and depositing restitution payments. At a minimum, there should be a documented supervisory review by an independent person of the bank reconciliations and the comparison of recorded receipts to amounts deposited.

B. Maintain a running balance of each type of money held in the restitution account, prepare monthly listings of open items, and reconcile these listings to the restitution balance in the restitution account.

C. Issue receipt slips for all monies received and account for the numerical sequence.

D. Indicate the method of payment on each receipt slip and reconcile total cash, checks and money orders received to amounts deposited.

AUDITEE'S RESPONSE

The Juvenile Officer indicated all recommendations have been implemented.

This report is intended for the information of the management of the Twentieth Judicial Circuit, Franklin County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Twentieth Judicial Circuit, Franklin County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the judicial circuit should consider implementing these recommendations.

1. Circuit Clerk's Accounting Controls and Procedures

A. The open items listing indicated that there was $4,464 in unidentified monies being held.

B. At December 31, 1994, checks written on the child support account totaling $1,995 had been outstanding for more than one year.

C. Checks and money orders were not restrictively endorsed until the deposit was prepared.

Recommendation:

The Circuit Clerk:

A. Investigate and resolve differences between the monthly open items listings and the reconciled cash balances. Any excess balance which cannot be ultimately identified should be disposed of through the applicable statutory provisions.

B. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, procedures to routinely follow up and reissue any old outstanding checks should be adopted.

C. Restrictively endorse checks and money orders immediately upon receipt.

Status:

A. Partially implemented. Part of the prior balance ($1,750) has been paid out. Less than one percent of the total balance is currently unidentified.

B. Partially implemented. At December 31, 1998, there were approximately $6,150 in old outstanding checks. These old checks have since been voided and the court is in the process of reissuing the checks.

C. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

2. Associate Circuit Division VI's Accounting Controls and Procedures

A. The court did not always issue civil account receipt slips immediately upon receipt of monies. In addition, civil receipts were not deposited on a timely basis.

B. The receipt ledgers used by the Associate Circuit Division VI did not indicate the method of payments received.

C. The Associate Circuit Division VI voided old outstanding checks and turned the related funds over to the County Treasurer for credit to the County Escheats Fund. Statutory provisions specify some unclaimed funds are to be remitted to the state.

D. The duties of receiving, recording, and depositing monies collected by the Associate Circuit Division VI were not adequately segregated.

E. The court allowed fines and court costs for certain offenses to be paid prior to the court date, however, there were some offenses that were not included on this schedule that could also be paid prior to the court date.

Recommendation:

The Associate Circuit Division VI:

A. Enter all receipts in the receipt ledger immediately upon receipt, and deposit receipts daily or when accumulated receipts exceed $100.

B. Indicate the method of payment in the receipt ledgers and reconcile total cash, checks, and money orders received to amounts deposited.

C. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions.

D. Adequately segregate duties between available employees and/or establish a documented periodic review of division records by an independent person.

E. Request the Prosecuting Attorney to document the amount of fines and court costs assessed in the case files and sign off on the amounts assessed.

Status:

A&D. Not implemented. See MAR No. 1.

B. Partially implemented. The method of payment is indicated for bond and criminal monies, however, not for civil monies received. Reconciliations are not performed of total cash, checks, and money orders received to amounts deposited. See MAR No. 1.

C&E. Implemented.

3. Associate Circuit Division VII's Accounting Controls and Procedures

A. The court did not always issue civil account receipt slips immediately upon receipt of monies. In addition, civil receipts were not deposited on a timely basis.

B. The civil account and bond receipt ledgers used by the Associate Circuit Division VII did not indicate the method of payments received.

C. Checks and money orders were not restrictively endorsed immediately upon receipt.

D. The Associate Circuit Division VII voided old outstanding checks and turned the related funds over to the County Treasurer for credit to the County Escheats Fund. Statutory provisions specify some unclaimed funds are to be remitted to the state.

Recommendation:

The Associate Circuit Division VII:

A. Enter all receipts in the receipt ledger immediately upon receipt, and deposit receipts daily or when accumulated receipts exceed $100.

B. Indicate the method of payment in the receipt ledgers and reconcile the total cash, checks, and money orders received to amounts deposited.

C. Restrictively endorse checks and money orders immediately upon receipt.

D. Reissue old outstanding checks to any payees who can be located. If the payees of old outstanding checks cannot be located, the monies should be disposed of through the applicable statutory provisions.

Status:

A&C. Not implemented. See MAR No. 2.

B&D. Implemented.

4. Ticket Accountability

Neither the Sheriff's department nor the Prosecuting Attorney's office accounted for the numerical sequence of traffic tickets issued by the Franklin County Sheriff's department.

Recommendation:

The Associate Circuit divisions work with the Franklin County Sheriff's department and the Prosecuting Attorney's office to ensure the listing of tickets issued is reviewed and any missing tickets are accounted for properly.

Status:

Partially implemented. Three out of 100 tickets reviewed were not listed in the log, however the Associate Circuit Division was able to locate cases for two of these three tickets. Although not repeated in the current report, our recommendation remains as stated above.

5. Juvenile Officer's Accounting Controls and Procedures

A. Receipt slips were not prenumbered by the printer and were not prepared for all monies received. In addition, the receipt ledger maintained by the juvenile office did not list each receipt individually.

B. The receipt slips that were issued by the juvenile office did not indicate the method of payment received.

C. Formal monthly bank reconciliations were not prepared for the restitution account during 1993 and 1994. In addition, a running balance was not maintained in the checkbook register for the restitution account in 1993.

D. The restitution account includes restitution payments and donations, however the account balance is not classified by type of money. Monthly listings of open items (liabilities) were not prepared.

E. There was no supervisory review of the accounting records.

Recommendation:

The Juvenile Office:

A. Issue preprinted, prenumbered receipt slips for all monies received and account for the numerical sequence.

B. Indicate the method of payment on each receipt slip and reconcile total cash, checks and money orders received to amounts deposited.

C. Perform monthly bank reconciliations and maintain a running balance of the restitution account in the checkbook register.

D. Maintain a running balance of each type of money held in the restitution account, prepare monthly listings of open items, and reconcile these listings to the balance in the restitution account.

E. Adequately segregate duties between available employees and/or establish a documented periodic review of division records by an independent person.

Status:

A. Partially implemented. The juvenile office receipt slips are preprinted and prenumbered, however, they are not issued for all monies received and the numerical sequence is not accounted for properly. See MAR No. 3.

B, D & E. Not implemented. See MAR No. 3.

C. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Twentieth Judicial Circuit consists of Franklin County as well as the counties of Gasconade and Osage.

The Twentieth Judicial Circuit consists of two circuit judges and five associate circuit judges. The circuit judges hear cases throughout the circuit. One circuit judge also serves as presiding circuit judge on a rotating basis and is responsible for administration of the circuit. Of the five associate circuit judges, three are located in Franklin County and preside over the Associate Circuit Court, (Divisions VI and VII) and the Probate Division Court (Division V). The other two associate judges are located one each in Gasconade County and Osage County.

In addition to the judges, the personnel of the Twentieth Judicial Circuit, Franklin County, Missouri, include a circuit clerk, two associate division clerks, a probate division clerk, twenty-one deputy clerks, a juvenile officer, fourteen deputy juvenile officers, two court reporters, one secretary, and nine full-time juvenile office support staff.

Circuit personnel located in Gasconade and Osage counties are not included in the scope of this audit, but are reported on separately.

The juvenile officer's home base is Franklin County, but he also serves residents of Gasconade and Osage counties.

Operating Costs

The operating expenses of the various courts are paid by Franklin County. The operating expenses for the circuit judges, court reporters, and juvenile office are paid for by the various counties within the circuit based on the percentage of the county's population to the total circuit population.

The salaries of the court personnel are paid by the state of Missouri. The salaries of the Juvenile Detention Center are paid by Franklin County. The salaries of the remaining juvenile office personnel are paid for by the various counties within the circuit based on the percentage of each county's population to the total circuit population. The salary of the Juvenile Officer is paid by the state of Missouri and by the various counties within the circuit.

Expenditures incurred for Franklin County were obtained from the Franklin County budget and from information provided by the State Courts Administrator's office and are as follows:

	Year Ended December 31,					
	1998			1997		
	State of Missouri- Personal Service	Franklin County		State of Missouri- Personal Service	Franklin County	
		Personal Service	Operating Expenses		Personal Service	Operating Expenses
Circuit Court Divisions I-II	$ 218,730	0	40,673	209,794	0	72,970
Circuit Clerk	273,024	0	45,749	257,917	0	38,909
Associate Circuit Court Divisions VI - VII	459,221	0	51,963	439,602	0	34,874
Probate Division V	79,249	0	15,089	75,231	0	11,584
Juvenile Office and Detention Center	36,146	367,362	323,857	34,307	316,772	327,804
Court reporters	86,846	0	2,675	82,476	0	1,929
Total	$ 1,153,216	367,362	480,006	1,099,327	316,772	488,070

Caseload Statistics

Caseload statistics of the filings and dispositions of the Twentieth Judicial Circuit, Franklin County, Missouri, provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

	Year Ended June 30,			
	1998		1997	
	Filings	Dispositions	Filings	Dispositions
Civil	3,959	3,816	4,022	3,906
Criminal	12,965	11,774	12,156	11,496
Juvenile	202	169	203	210
Probate	242	287	124	130
Total	17,368	16,046	16,505	15,742

Personnel

On December 31, 1998, the judges, Circuit Clerk, and Juvenile Officer of the Twentieth Judicial Circuit, Franklin County, Missouri, were:

John C. Brackman, Circuit Judge, Division I (Presiding Judge)
Jeff W. Schaeperkoetter, Circuit Judge, Division II
Walter A. Murray Jr., Associate Circuit Judge, Division V
Joseph M. Ladd, Associate Circuit Judge, Division VI

Stanley D. Williams, Associate Circuit Judge, Division VII
Bill D. Miller, Circuit Clerk
Gerald Poepsel, Juvenile Officer

An organization chart follows:

FORTY-THIRD JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

TWO YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-36
May 17, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following audit report presents our findings and recommendations for the municipal divisions of the Forty-Third Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Cameron	*pages 21-23*
City of Hamilton	*pages 23-25*
City of Lathrop	*pages 25-27*
City of Polo	*pages 27-28*
City of Trimble	*pages 28-32*

We had no findings or recommendations for the municipal divisions of the **City of Gower** and the **City of Plattsburg**.

Actions taken by the various municipal divisions of the Forty-Third Judicial Circuit on recommendations made in our prior report are noted on pages 33-38.

YELLOW SHEET

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Forty-Third Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Forty-Third Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; December 31, 1997 and 1996; and the period January 1, 1998 to June 30, 1998, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four and five, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Forty-Third Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Internal control procedures and accounting records of the city of Hamilton Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued were not maintained and some of the tickets selected for review could not be located. As a result, we were unable to satisfy ourselves by appropriate audit tests or other

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means as to receipts and disbursements for fines and court costs beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Internal control procedures and accounting records of the city of Lathrop Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements for fines and court costs beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1*, requires disclosure of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. Except for disclosure provided by the city of Cameron Municipal Division, which is included in Note 5, the various municipal divisions of the Forty-Third Judicial Circuit have omitted such disclosures. We do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal divisions do business will become year 2000-compliant.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding three paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Forty-Third Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; December 31, 1997 and 1996; and the period January 1, 1998 to June 30, 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

We also had planned to audit the accompanying special-purpose financial statement of the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997. This special-purpose financial statement is the responsibility of the municipal division's management.

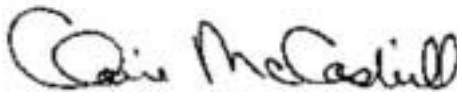
The internal control procedures and accounting records of the city of Trimble Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the city of Trimble Police Department were not maintained and some accounting records maintained by the municipal division could not be located. Receipt slips were not issued for some fines and costs received, receipts were not always deposited intact, and bond forms were not prenumbered. As a result, we were unable to

satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements for fines, court costs, and bonds for the years ended June 30, 1998 and 1997.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 3, 1998, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

December 3, 1998 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Forty-Third Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Forty-Third Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; December 31, 1997 and 1996; and the period January 1, 1998 to June 30, 1998, and have issued our report thereon dated December 3, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Forty-Third Judicial Circuit for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the accompanying special-purpose financial statement of the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated December 3, 1998. In that report we did not express an opinion on the special-purpose financial statement.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Forty-Third Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain

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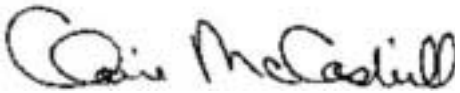
other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Forty-Third Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Forty-Third Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

December 3, 1998 (fieldwork completion date)

Financial Statements

Exhibit A

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Cameron Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 135,492	119,794
Total Receipts	135,492	119,794
DISBURSEMENTS		
City treasury	116,144	98,145
State of Missouri	6,760	4,206
Refunds and other	12,735	15,641
Total Disbursements	135,639	117,992
RECEIPTS OVER (UNDER) DISBURSEMENTS	-147	1,802
CASH, OCTOBER 1	4,150	2,348
CASH, SEPTEMBER 30	$ 4,003	4,150

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Gower (Note 4) Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 7,890	15,344
Total Receipts	7,890	15,344
DISBURSEMENTS		
City treasury	7,860	14,856
State of Missouri (Note 3)	0	0
Refunds and other	30	488
Total Disbursements	7,890	15,344
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Hamilton Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 31,690	21,929
Total Receipts	31,690	21,929
DISBURSEMENTS		
City treasury	29,337	22,571
State of Missouri (Note 3)	0	0
Refunds and other	1,463	501
Total Disbursements	30,800	23,072
RECEIPTS OVER (UNDER) DISBURSEMENTS	890	-1,143
CASH, JULY 1	600	1,743
CASH, JUNE 30	$ 1,490	600

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Lathrop Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 21,590	20,756
Total Receipts	21,590	20,756
DISBURSEMENTS		
City treasury	19,896	20,540
State of Missouri (Note 3)	0	0
Refunds and other	944	366
Total Disbursements	20,840	20,906
RECEIPTS OVER (UNDER) DISBURSEMENTS	750	-150
CASH, JULY 1	100	250
CASH, JUNE 30	$ 850	100

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Trimble Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 1,401	3,892
Total Receipts	1,401	3,892
DISBURSEMENTS		
City treasury	1,500	2,783
State of Missouri	34	138
Refunds and other	60	189
Total Disbursements	1,594	3,110
RECEIPTS OVER (UNDER) DISBURSEMENTS	-193	782
CASH, JULY 1	1,373	591
CASH, JUNE 30	$ 1,180	1,373

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

		City of Plattsburg Period January 1, 1998 to June 30, 1998
RECEIPTS		
Fines, costs, bonds, and other	$	16,747
Total Receipts		16,747
DISBURSEMENTS		
City treasury		14,320
State of Missouri		1,009
Refunds and other		314
Total Disbursements		15,643
RECEIPTS OVER (UNDER) DISBURSEMENTS		1,104
CASH, BEGINNING OF PERIOD		0
CASH, END OF PERIOD	$	1,104

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Polo Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 16,977	28,263
Total Receipts	16,977	28,263
DISBURSEMENTS		
City treasury	16,256	27,172
State of Missouri (Note 3)	0	0
Refunds and other	542	1,046
Total Disbursements	16,798	28,218
RECEIPTS OVER (UNDER) DISBURSEMENTS	179	45
CASH, JANUARY 1	154	109
CASH, DECEMBER 31	$ 333	154

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Forty-Third Judicial Circuit of the state of Missouri. The city of Jamesport Municipal Division began operations in October 1998. Since this division has not completed a fiscal year, the city of Jamesport Municipal Division has not been included in this report.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998, 1997, and 1996, all bank account balances reported for the municipal divisions of the Forty-Third Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the judgment for the Motorcycle Safety Trust Fund and the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Cameron, the city of Trimble, and the city of Plattsburg. Amounts remitted by the cities to the state are not included in the financial statements.

4. City of Gower

Bonds posted by defendants for the city of Gower Municipal Division are deposited directly into the city treasury. The amounts held by the city at year-end could not be determined and, therefore, are not included in the financial statements.

5. Year 2000 Compliance - City of Cameron

The city of Cameron has recently completed testing of all computer hardware and software to make sure it is year 2000-compliant. At this time all computer hardware and software are year 2000-compliant.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Trimble Municipal Division as of and for the years ended June 30 1998 and 1997) of the Forty-Third Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; December 31, 1997 and 1996; and the period January 1, 1998 to June 30, 1998, and have issued our report thereon dated December 3, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Forty-Third Judicial Circuit for the applicable fiscal periods.

We also had planned to audit the special-purpose financial statement of the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated December 3, 1998. In that report, we did not express an opinion on the special-purpose financial statement.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal divisions' special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Cameron Municipal Division

A. The duties of receiving and depositing monies are not adequately segregated from the recording of transactions. The Court Clerk performs all the duties related to the collection, depositing, and recording of fine and cost receipts. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

B. Court receipts are not deposited into the court bank account on a timely basis. The Court Clerk makes deposits weekly with the average deposit totaling over $1,000. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

C. The police department issues a prenumbered bond form for all bonds collected; however, the bond forms are not issued in order and the Court Clerk does not account for the numerical sequence of these bond forms. To ensure all monies received by the police department are transmitted to the court, the numerical sequence of bond forms should be accounted for properly.

D. The court allows partial payments to accumulate in the fine and costs account until full payment is received. This amount is then paid to the city treasury and state. As of September 30, 1998, the court was holding over $1,700 in partial payments. Section 479.080, RSMo 1994, requires municipal divisions to transmit fines and court costs into the city treasury at least monthly.

E. The Municipal Judge does not sign the docket after dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court's records, the judge should sign the court dockets.

Conditions similar to A., B., and D. were also noted in our prior report.

WE RECOMMEND the city of Cameron Municipal Division:

A. Adequately segregate the duties of receiving, depositing, and recording court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

B. Deposit receipts daily or when accumulated receipts exceed $100.

C. Account for the numerical sequence of all bond forms.

D. Pay all fines and court costs collected to the city treasury and state at least monthly in accordance with state law.

E. Ensure the Municipal Judge signs all court dockets to indicate his review and approval.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. It is hard to segregate duties when there is only one court employee. The City Clerk receives a copy of all reconciled bank statements for the city's review. The court has started having

all cash reports and deposits reviewed and initialed by the Service Clerk for the city of Cameron.

B. Court receipts are deposited weekly. There is no one available to take the deposits to the bank on a more frequent time frame as the city of Cameron does its banking at a different bank than the court.

C. The police department is now given only one pad of twenty-five bond forms at a time so they can be used in numerical sequence. Before they had two or three pads of twenty-five bond forms and just used whichever pad they grabbed. Hopefully by only giving them one pad of twenty-five bond forms at a time they will be used in sequence. The court does and has always maintained a numerical file of bond forms issued.

D. The issue of partial payments being held by the court until payment in full is being addressed by the new computer software purchased. The city of Cameron has just received, as of March 1999, the new 2000 compliant version of court software. As soon as the software people can get a report to print off what money goes to fines, costs, and other fees and do it correctly, then all money will be transmitted monthly into the city treasury as required.

E. The court will ask the Municipal Judge to sign the completed docket on a regular basis. The Municipal Judge has indicated he will initial the completed docket at the next court.

2. City of Hamilton Municipal Division

A. During our review, we noted the following concerns related to receipts:

1) The duties of receiving and depositing monies are not adequately segregated from the recording of transactions. The Court Clerk performs all the duties related to the collection, depositing, and recording of fine and cost receipts. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

2) Prenumbered receipt slips are not issued by the Court Clerk for some monies received. During our testing, we noted two instances where receipt slips were not issued by the former Court Clerk for payments of fines and costs. To

adequately account for all receipts and ensure all receipts are properly deposited in the city treasury, a prenumbered receipt slip should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

B. During our review, we noted the following concerns related to bonds:

1) Prenumbered receipt slips are not issued for some bond monies received by the police department. In addition, the Court Clerk does not issue receipt slips for bond monies received from the police department and other entities. To adequately account for all receipts and ensure all receipts are transmitted to the municipal division and are properly deposited into the court bank account, a prenumbered receipt slip should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

2) Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities.

C. The Municipal Judge does not sign the docket after dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court's records, the Judge should sign the court dockets.

D. Neither the police department nor the court maintains adequate records to account for the numerical sequence and ultimate disposition of traffic tickets issued. Three of sixty tickets selected for testing could not be provided by the municipal division or the police department for our review.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured all tickets issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets as well as their ultimate disposition.

WE RECOMMEND the city of Hamilton Municipal Division:

A.1. Adequately segregate the duties of receiving, depositing, and recording court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Issue prenumbered receipt slips for all monies received.

B.1. Issue prenumbered receipt slips for all bond monies received.

2. Prepare monthly open items listings and reconcile these listings with monies held in trust.

C. Ensure the Municipal Judge signs all court dockets to indicate his review and approval.

D. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A.1. Our court consists of only one Court Clerk. This makes it very difficult to segregate the duties of receiving, depositing, and recording court receipts. Court monies will be kept separate and a separate deposit will be made for court monies. The City Clerk will be asked to compare the composition of deposits to the composition of receipts.

2. We now have prenumbered receipt slips for all monies received. The police department has one book for bonds and the court has one book for fines and costs collected.

B.1. We have purchased a receipt book for bond money. The police department collects bond money and turns it over to the court. The bond receipt book is used to give the police department a receipt slip for the bond money that they turn over to the court. The police department is required to submit a receipt along with the money turned over to the court.

2. The bond account is now being reconciled and the bonds in the account are being listed. The amount of bonds are now being reconciled with the money in the bond account. The Municipal Judge signs this reconciliation.

C. The Municipal Judge will be asked to initial the completed docket at the next court date.

D. A ticket log has been started to keep track of the tickets. The police department has been notified of the importance of turning all tickets in to the court.

3. City of Lathrop Municipal Division

A. During our review, we noted the following concerns related to receipts:

1) The duties of receiving and depositing monies are not adequately segregated from the recording of transactions. The Court Clerk performs the duties related to the collection of payments made at court, depositing, and recording of fine and cost receipts. TVB payments are collected by the City Collector. There is no independent reconciliation between receipts and deposits. In

addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

2) The original copies of some voided receipt slips were not retained. To provide adequate assurance that voided receipt slips are proper and to account for all receipt slips, the original copies of all voided receipt slips should be retained.

B. Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities.

C. Bank reconciliations are not performed on the court's bond account. To ensure all differences between the bank and book balances are noted in a timely manner, bank reconciliations should be performed monthly.

D. A court docket, listing the cases scheduled to appear in court, is prepared, however, not every case appears on the monthly docket and the disposition of each case is not always recorded. In addition, the Municipal Judge does not sign the court docket verifying the accuracy of cases scheduled to appear and fines and court costs assessed. Section 479.070, RSMo 1994, requires the proceeding for every case be entered on the docket.

To ensure cases have been accounted for properly, all cases should be listed on the court docket, along with the final disposition. Furthermore, the Municipal Judge should sign the court dockets verifying the accuracy of cases scheduled to appear and fines and court costs assessed.

E. Neither the police department nor the court maintains adequate records to account for the numerical sequence and ultimate disposition of traffic tickets issued. The police department does not maintain a listing of ticket books assigned to police officers and records accounting for the numerical sequence and ultimate disposition of each ticket issued are incomplete.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured all tickets

issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets as well as their ultimate disposition.

Conditions similar to A.2. and E. were also noted in our prior report.
WE RECOMMEND the city of Lathrop Municipal Division:

A.1. Adequately segregate the duties of receiving, depositing, and recording court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Retain the original copy of all voided receipt slips.

B. Prepare monthly open items listings and reconcile these listings with monies held in trust.

C. Ensure monthly bank reconciliations on the court's bond account are performed.

D. Ensure every case, including those handled at the TVB, commenced before the court is entered on the monthly court dockets, including final disposition and ensure the Municipal Judge signs the dockets.

E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A.1. Beginning in February 1999, the City Collector prepares a summary of all fines and costs received and the Court Clerk reconciles the summary to the receipts and prepares the deposit.

2. We have been retaining all copies of voided receipt slips.

B&C. These recommendations have been implemented.

D. We will try to ensure all cases are entered on the docket.

E. The Municipal Judge will request the Chief of Police report lost or voided citations to the court in a timely fashion. The court files traffic tickets in numerical order.

4. City of Polo Municipal Division

A. Summonses issued by the Court Clerk are not prenumbered. To ensure all summonses are properly accounted for and processed through the court, summonses should be prenumbered and the ultimate disposition of each summons documented.

B. Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities.

C. The court holds partial payments of fines and costs in its money bag until full payment is received. This amount is then paid to the city treasury. Section 479.080, RSMo, 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly.

WE RECOMMEND the city of Polo Municipal Division:

A. Use prenumbered summonses and document the ultimate disposition of each summons.

B. Prepare monthly open items listings and reconcile these listings with monies held in trust.

C. Transmit all fines and court costs collected to the city treasury at least monthly in accordance with state law.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. Very few summonses are issued each year. Therefore, it is cost prohibitive to purchase new summonses. Each summons on hand will be manually numbered.

B. This has been implemented.

C. Partial payments are no longer held. They are deposited along with all other court receipts.

5. City of Trimble Municipal Division

A. During our review, we noted the following concerns related to receipts:

1) The duties of receiving and depositing monies are not adequately segregated from the recording of transactions. The Court Clerk performs all the duties related to the collection, depositing, and recording of fine and cost receipts. There is no independent reconciliation between receipts and deposits. In

addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

2) Court receipts are not deposited into the court bank account intact or on a timely basis. We noted one instance where the composition of the deposit did not agree to the composition of the receipts due to a refund given in cash. In addition, we noted one instance where over $600 was received but was not deposited for approximately six weeks. These receipts included a $100 bond that was disbursed a month before it was deposited into the court bank account.

   To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

3) Prenumbered receipt slips are not issued by the Court Clerk for some monies received. We noted several instances where receipt slips were not issued for payments of fines and costs. In addition, the receipt slips issued are rediform receipt slips which are not specifically printed for the court. To adequately account for all receipts and ensure all receipts are properly deposited in the court account, official prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

4) The municipal division accepts cash, checks, and money orders for payments of fines and court costs. Receipt slips issued by the municipal division do not always indicate the method of payment received. To ensure receipts are deposited intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips issued should be reconciled to the composition of deposits.

B. During our review we noted the following concerns related to bonds:

1) Bond forms issued by the police department serve as a receipt slip to the defendant; however, the bond forms are not prenumbered. To adequately account for all bond monies, prenumbered bond forms or receipt slips should be issued for all bonds received by the police department and the numerical sequence should be accounted for properly.

2) Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities.

C. The Court Clerk does not maintain a balance in the checkbook register for the division's court account, and some deposits and withdrawals are not recorded in the checkbook register. In addition, formal bank reconciliations were not prepared for the municipal division's bond account or court account. To ensure all differences between the bank and book balances are noted in a timely manner, a balance should be maintained in the checkbook register and reconciled with the bank statement on a monthly basis.

D. The Court Clerk was unable to locate eight bank statements, one receipt book, six case files, three void checks, and cash control ledgers for an eight month period. Since these records were not available during audit fieldwork, we could not apply auditing procedures to these records. The municipal division needs to ensure all court records are retained in accordance with Supreme Court Administrative Rule 8.04, which requires records to be retained five years or upon completion of an audit, if sooner.

E. The court transmitted fines and court costs to the city only four times during the two year audit period and the amounts transmitted averaged over $1,000. The Court Clerk indicated that transmittals are typically made once the fine and cost account has accumulated to $1,500. In addition, the court has not remitted Crime Victim's Compensation (CVC) fees to the state since September 1997.

Section 479.080.1, RSMo 1994, requires fines and court costs be transmitted at least monthly to the city treasury. Section 595.045, RSMo 1994 requires 95 percent of CVC fees collected be paid to the state at least monthly. The court should disburse all fines and court costs collected each month to the city and state and ensure all amounts in the fines and court costs bank account are identified and disbursed to the appropriate parties.

F. Neither the police department nor the court maintain adequate records to account for the numerical sequence and ultimate disposition of traffic tickets issued. The police

department does not maintain a listing of ticket books assigned to police officers and records accounting for the numerical sequence and ultimate disposition of each ticket issued are not maintained.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured all tickets issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets as well as their ultimate disposition.

Conditions similar to A.1, A.2, A.3, and F. were also noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statement of the city of Trimble Municipal Division as of and for the years ended June 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Trimble Municipal Division:

A.1. Adequately segregate the duties of receiving, depositing, and recording court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Deposit receipts intact daily or when accumulated receipts exceed $100.

3. Issue official prenumbered receipts slips for all court monies received.

4. Indicate the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of monies deposited.

B.1. Work with the police department to ensure prenumbered bond forms or receipt slips are issued and the numerical sequence of the bond forms or receipt slips is accounted for properly.

2. Prepare monthly open items listings and reconcile these listings with monies held in trust.

C. Maintain an accurate balance in the court account checkbook register and ensure monthly bank reconciliations of all bank accounts are performed.

D. Retain all court records in accordance with Supreme Court Administrative Rule 8.04.

E. Transmit all fines and court costs monthly to the city, and attempt to identify all monies remaining in the fines and court costs bank account and transmit to the appropriate parties.

F. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A.1. The Police Chief will be reviewing the bank reconciliations.

A.2,
A.4,
B.2,C,
& D. These recommendations have been implemented.
A.3. We have obtained official prenumbered receipt slips and are issuing these receipt slips for all receipts.

B.1. The police department is now issuing prenumbered bond forms and the numerical sequence is accounted for.

E. Fines and court costs are transmitted to the city following each court.

F. The court maintains a numerical file of traffic tickets. In the future, we will ensure that all ticket numbers are accounted for.

This report is intended for the information of the management of the various municipal divisions of the Forty-Third Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by five of the municipal divisions of the Forty-Third Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Cameron Municipal Division

A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions. In addition, there was no supervisory review performed of the Court Clerk's functions.

B.1. Some checks and money orders received through the Traffic Violation Bureau (TVB) were not restrictively endorsed or deposited timely.

2. The court issued rediform receipt slips for monies received.

C. The disposition for tickets sent to courts other than the municipal division was not always documented. In addition, officers' copies of tickets issued were not always retained.

D. All fines and court costs collected were not paid to the city treasury on a monthly basis.

Recommendations:

The city of Cameron Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Record and restrictively endorse all TVB collections immediately upon receipt and deposit receipts intact daily or when accumulated receipts exceed $100.

2. Issue official prenumbered receipt slips for all monies collected and account for their numerical sequence.

C. Work with the police department to establish procedures to document the disposition of all tickets issued and to retain the officers' copies of all tickets issued.

D. Transmit fines and court costs to the city on a monthly basis as required by state law.

Status:

A&D. Not implemented. See MAR No. 1.

B.1 Partially implemented. TVB collections received through the mail are restrictively endorsed upon receipt, but deposited weekly. See MAR No. 1.

B.2. & C. Implemented.

2. City of Gower Municipal Division

A. The Law Enforcement Training (LET) and Crime Victims' Compensation (CVC) fees were sometimes collected on nonmoving traffic violations although prohibited by state law.

B. The court issued rediform receipt slips for monies received.

Recommendations:

The city of Gower Municipal Division:

A. Assess the CVC and LET fees in accordance with state law.

B. Issue official prenumbered receipt slips for all monies collected and account for their numerical sequence.

Status:

A&B. Implemented.

3. City of Lathrop Municipal Division

A.1. The Court Clerk did not issue receipt slips for bond monies collected.

2. Receipt slips issued by the court did not always indicate the method of payment received.

3. The court issued rediform receipt slips for monies received.

B. Adequate documentation was not maintained for all court transactions.

C. Neither the police department nor the court always accounted for the ultimate disposition of traffic tickets issued.

D. The LET fee was not collected as allowed by city ordinance.

Recommendations:

The city of Lathrop Municipal Division:

A.1. Issue prenumbered receipt slips for all bond monies received.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

3. Issue official prenumbered receipt slips for all monies collected and account for their numerical sequence.

B. Ensure all documentation supporting court transactions is retained for future reference in accordance with Supreme Court rules.

C. Work with the police department to ensure records are maintained to account for the ultimate disposition of each traffic ticket issued.

D. Assess the LET fee in accordance with state law.

Status:

A.1,
A.3,
& D. Implemented.

A.2 Partially implemented. Receipt slips indicate the method of payment, but the total cash, checks, and money orders received are not reconciled to bank deposits. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

B&C. Not implemented. See MAR No. 3.

4. City of Polo Municipal Division

A. The Court Clerk did not obtain receipt slips from the city's accountant for court monies transmitted.

B. The court issued rediform receipt slips for monies received.

C. Receipts were not kept in a secure location and deposits were not made timely.

D. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

E. The Municipal Judge did not sign court dockets after case dispositions were recorded and did not review the court dockets to ensure he agreed with the disposition of cases handled outside the court through the TVB.

F. The Court Clerk amended the charges on some tickets handled through the TVB to defective equipment without authorization or approval of these amendments.

Recommendations:

The city of Polo Municipal Division:

A. Obtain prenumbered receipt slips for monies transmitted to the city's accountant and reconcile the receipt slips to bank deposits.

B. Issue official prenumbered receipt slips for all monies collected and account for their numerical sequence.

C. Deposit receipts intact daily or when accumulated receipts exceed $100. Until deposit, monies received should be stored in a secure location.

D. Establish a documented periodic review of municipal division records by an independent person.

E. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

F. Ensure the City Attorney or Municipal Judge is aware of and approves any amendment of charges.

Status:

A. Partially implemented. The accountant signs a transmittal log to accept receipts for deposit. The Court Clerk does not review the accountant's reconciliation of the transmittals to the bank statement. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

B,D,
E&F. Implemented.

C. Not implemented. Deposits are made approximately once a week and averaged approximately $350. Although not repeated in the current MAR, the municipal division should still consider implementing this recommendation.

5. City of Trimble Municipal Division

A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions. In addition, there was no supervisory review performed of the Court Clerk's functions.

B. The court issued rediform receipt slips for monies received.

C. Receipts were not deposited on a timely basis.

D. The monthly report filed with the city by the municipal division included only the total number of cases heard and monies due to the city.

E. Neither the municipal division nor the police department could account for one book of twenty-five tickets assigned to the police department by the Missouri State Highway Patrol (MSHP).

Recommendations:

The city of Trimble Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B. Issue official prenumbered receipt slips for all monies collected and account for the numerical sequence.

C. Deposit all receipts daily, or when accumulated receipts exceed $100.

D. Prepare monthly reports of court actions and file these with the city in accordance with state law.

E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets printed, assigned, and issued.

Status:

A, B,

C, &
E. Not implemented. See MAR No. 5.

D. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

FORTY-THIRD JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Forty-Third Judicial Circuit is composed of Caldwell, Clinton, Daviess, DeKalb, and Livingston counties. The Honorable Kenneth R. Lewis serves as Presiding Judge. There are eight municipal divisions within the Forty-Third Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 entitled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and court costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Cameron

Organization

A city employee serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts, one for bond monies and one for fines and court costs. Fines and court costs are disbursed by check to the city treasury and state on a monthly basis. Bond deposits remain in the bond bank account pending disposition. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Dennis Smithmier
Court Clerk	Glenda Atkinson

Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed	1230	1400

2. City of Gower

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The municipal division does not maintain a bank account. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Ronald Taylor *
City Clerk/Court Clerk	Jane Clark

* Prior to April 1999, Orval Jensen served as Municipal Judge.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed **	199	256

** Court caseload estimated based on number of traffic tickets issued.

3. City of Hamilton

Organization

A city employee serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are deposited into a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court. The city of Hamilton re-established its municipal division on January 1, 1996.

Personnel

Municipal Judge	Dennis Smithmier
Court Clerk	Carol Henderson

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	324	390

4. City of Jamesport

Organization

Court operations began in October 1998. The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts, one for fines and court costs, and one for bond monies. Fines and court costs are transmitted by check to the city treasury and state monthly. Bond monies are deposited into the court bank account pending disposition. Court is held once a month. Although it has not been formally established, a TVB receives payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Daren Adkins *
Court Clerk	Pat Wiles

* Prior to January 1999, Frank Tolan served as Municipal Judge.

5. City of Lathrop

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are deposited into a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Frank Stewart
City Clerk/Court Clerk	Susie Freece

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed*	259	255

* Court caseload estimated based on number of traffic tickets issued.

6. City of Plattsburg

Organization

Court operations began in January 1998. The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts, one for fines and court costs, and one for bond monies. Fines and costs are transmitted by check to the city treasury after each court date. Bond monies are deposited into the court bank account pending disposition. Court is held once each month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Curtis Eylar
Court Clerk	Kelly Mirosh

Caseload Information

	Period of January 1, 1998 to June 30, 1998
Number of cases filed	203

7. City of Polo

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling receipts and disbursements. Fines and court costs are transmitted to the city's accountant and then deposited directly into the city treasury. Bond monies are transmitted to the city's accountant and then deposited directly into a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Tom Bowman
City Clerk/Court Clerk	Connie Cook

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	229	358

8. City of Trimble

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts, one for fines and court costs and one for bond monies. Fines and court costs are disbursed by check to the city treasury and state. Bond monies are deposited into the court bank account pending disposition. Court is held once every other month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Mike Svetlic
City Clerk/Court Clerk	Kerri Houston*

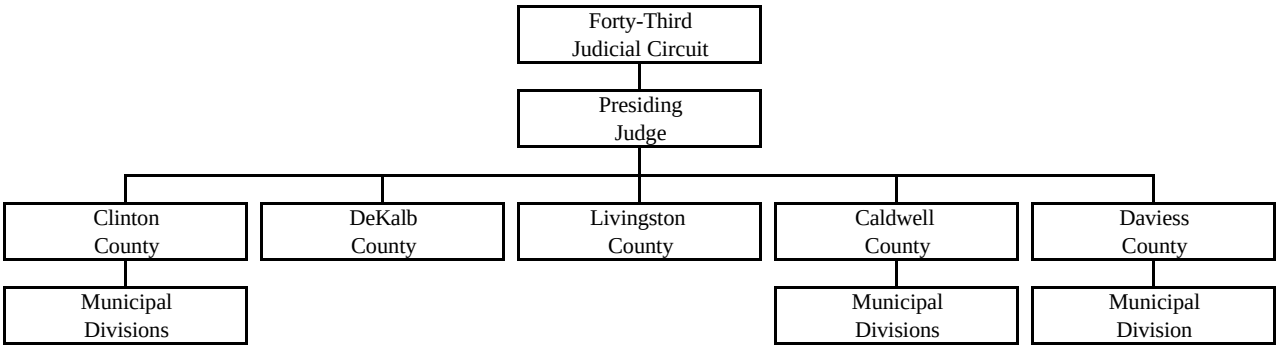
* Susan Stauch served as Court Clerk from November 1997 to May 1998. Holly Hanner served as Court Clerk from May to November 1997. Prior to May 1997, Zoe LaGreece served as Court Clerk.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed **	14	59

** Court caseload estimated based on number of traffic tickets issued.

FORTY-THIRD JUDICIAL CIRCUIT
ORGANIZATION CHART



City of Cameron
City of Gower
City of Lathrop
City of Plattsburg
City of Trimble

City of Hamilton
City of Polo

City of Jamesport

* * * * *

AUDIT REPORT

THIRTY-FOURTH JUDICIAL CIRCUIT

CITY OF HOWARDVILLE, MISSOURI

MUNICIPAL DIVISION

TWO YEARS ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-35
May 12, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following problems, discovered as result of our office's most recent two year audit of the Thirty-Fourth Judicial Circuit's Municipal Division in the City of Howardville, may have been avoided had our prior recommendations calling for stricter financial controls been implemented.

Cash receipts for fines, court costs, and bonds totaling at least $11,847 were received and not deposited during the period July 1, 1997 through May 18, 1998. In addition, payments in excess of the Court Clerk's authorized compensation totaling $22,269, ($9,682 from the court account and $12,587 from the city police account) were made between August 1997 and April 1998.

Information gathered during our review has been turned over to the New Madrid County Prosecuting Attorney.

The city of Howardville Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. The Court Clerk was responsible for receiving, recording and depositing court monies, as well as preparing disbursements and reconciling bank statements. In addition, the Court Clerk was responsible for accounting duties related to the city police account. Prior to August 1996, court monies were deposited directly into the city police account. In August 1996, a separate bank account was opened for the deposit of court monies; however, some court monies continued to be deposited directly into the city police account. Individuals authorized to sign checks for the court account and the city police account are limited to the City Clerk, the Mayor, and one alderman.

Vanessa Frazier was appointed court clerk in June 1997 and her employment was terminated in July 1998. She pled guilty to felony stealing related to a misappropriation discovered prior to our audit. (the $4,634 is included in the amounts mentioned above).

Clois Taylor currently serves as the Municipal Judge of the city of Howardville. Earnestine Jackson served as the Municipal Judge prior to June 1998.

We recommend the municipal division, along with the city, continue to work with law enforcement officials regarding any additional criminal prosecution and to obtain restitution of the missing funds and overpayments.

These misappropriations of funds went undetected due to several internal control weaknesses, including inadequate segregation of duties and lack of independent review as discussed in this report.

YELLOW SHEET

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HOWARDVILLE, MISSOURI
MUNICIPAL DIVISION

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENT

Presiding Judge
Thirty-Fourth Judicial Circuit
and
Municipal Judge
Howardville, Missouri

We had planned to audit the accompanying special-purpose financial statement of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit as of and for the years ended June 30, 1998 and 1997, as indentified in the table of contents. This special-purpose financial statement is the responsibility of the municipal division's management.

The accompanying special-purpose financial statement was prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit and is not intended to be a complete presentation of the financial position and results of operations of the municipal division.

As a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1998 and 1997.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Howardville Municipal Division as of and for the years ended June 30, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 11, 1999, on our consideration of the municipal division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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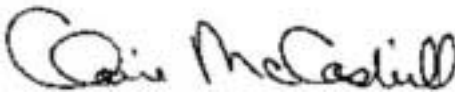
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to auditing procedures.



Claire McCaskill
State Auditor

February 11, 1999

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
Thirty-Fourth Judicial Circuit
and
Municipal Judge
Howardville, Missouri

We had planned to audit the special-purpose financial statement of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated February 11, 1999. In that report, we did not express an opinion on the special-purpose financial statement; as a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs and bonds for the periods indicated above. However, we were able to perform certain procedures regarding the municipal division's compliance with legal provisions and internal control, and these procedures are discussed below.

Compliance

As part of our attempts to obtain reasonable assurance about whether the special-purpose financial statement of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit is free of material misstatement, we performed tests of the municipal division's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our procedures, and accordingly, we do not express such an opinion. The results of our tests disclosed material instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are presented in the accompanying Management Advisory Report. We also noted certain other instances of noncompliance which are presented in that report.

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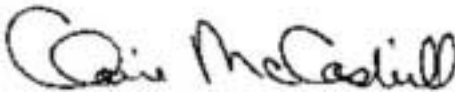
Internal Control Over Financial Reporting

In planning and performing our procedures related to the special-purpose financial statement of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit, we considered the municipal division's internal controls over financial reporting. Our consideration was performed in connection with our attempts to determine whether an opinion could be expressed on the special-purpose financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the municipal division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statement.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

February 11, 1999

Financial Statement

Exhibit

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HOWARDVILLE, MISSOURI
MUNICIPAL DIVISION
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 37,050	12,199
Total Receipts	37,050	12,199
DISBURSEMENTS		
City treasury	12,149	9,832
State of Missouri	0	328
Court Clerk (Note 3)	9,682	0
Refunds and other	2,987	1,494
Unaccountable (Note 4)	11,847	0
Total Disbursements	36,665	11,654
RECEIPTS OVER (UNDER) DISBURSEMENTS	385	545
CASH, JULY 1	581	36
CASH, JUNE 30	$ 966	581

The accompanying Notes to the Financial Statement are an integral part of this statement.

Notes to the Financial Statement

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HOWARDVILLE, MISSOURI
MUNICIPAL DIVISION
NOTES TO THE FINANCIAL STATEMENT

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statement presents only selected data for the funds administered by the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for the municipal division. The operating costs of the division are paid by the city of Howardville and are not included in the financial statement.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases in the custody of the municipal division are included in the financial statement.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash is prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal division accounts for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking offenses; and other violations for which amounts are received by the municipal division and remitted to the city treasury. The municipal division also may account for restitutions received and disbursed through the division.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. The division maintains a bank account into which fines court costs, and bonds are deposited and later remitted to the city treasury.

At June 30, 1998 and 1997, the bank account balance reported for the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit was entirely covered by federal depositary insurance.

3. Unauthorized Payments

Disbursements to the Court Clerk totaling $9,682 for the year ended June 30, 1998, represent unauthorized payments. Also, the Court Clerk received an additional $12,587 of unauthorized payments from the city police account during the year ended June 30, 1998 for a total of $22,269 of payments in excess of her authorized compensation.

4. Missing Funds

Fines, court costs, and bonds totaling at least $11,847 which court records indicate were received by the municipal division but not deposited, are included in receipts and are presented as unaccountable disbursements on the financial statement for the year ended June 30, 1998.

MANAGEMENT ADVISORY REPORT SECTION

Executive Summary

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HOWARDVILLE, MISSOURI
MUNICIPAL DIVISION
EXECUTIVE SUMMARY

Cash receipts for fines, court costs, and bonds totaling at least $11,847 were received and not deposited during the period July 1, 1997 through May 18, 1998. In addition, payments in excess of the Court Clerk's authorized compensation totaling $22,269, ($9,682 from the court account and $12,587 from the city police account) were made between August 1997 and April 1998. Some receipt and disbursement information was not properly recorded, court monies were not remitted to the city and state, and city officials indicate signatures were forged on some checks, all of which helped to conceal the misappropriation of funds.

These misappropriations could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and internal controls, as noted in the prior Management Advisory Report (MAR) and repeated in the current MAR, had been established.

Clois Taylor currently serves as the Municipal Judge of the city of Howardville. Earnestine Jackson served as the Municipal Judge prior to June 1998. Vannessa Frazier was appointed Court Clerk in June 1997 and her employment was terminated in July 1998. She pled guilty to felony stealing related to a $4,634 misappropriation discovered prior to our audit (the $4,634 is included in the amounts mentioned above). She was responsible for depositing monies, preparing disbursements, and reconciling bank statements for both the court account and the city police account.

Management Advisory Report -
State Auditor’s Current Recommendations

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HOWARDVILLE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISOR REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We had planned to audit the special-purpose financial statement of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit as of and for the years ended June 30, 1998, and 1997, and have issued our report thereon dated February 11, 1999. In that report, we did not express an opinion on the special-purpose financial statement; as a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the period indicated above.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal division's special-purpose financial statement. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Missing Funds

The city of Howardville Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. The Court Clerk was responsible for receiving, recording, and depositing court monies as well as preparing disbursements and reconciling bank statements. In addition, the Court Clerk was responsible for accounting duties related to the city police account. Prior to August 1996, court monies were deposited directly into the city police account. In August 1996, a separate bank account was opened for the deposit of court monies; however, some court monies continued to be deposited directly into the city police account. Individuals authorized to sign checks for the court account and the city police account are limited to the City Clerk, the Mayor, and one alderman.

In April 1998, the Court Clerk was placed on paid administrative leave as a result of numerous overdrafts on the city police account. The Court Clerk's employment was terminated in July 1998 and she subsequently pled guilty to felony stealing. The clerk had prepared a deposit slip for $4,634 more than what was deposited in the bank. The city has filed a claim with the bonding company for $4,634 related to the information known at that time.

For the two years ended June 30, 1998, we compared amounts received by the court to amounts deposited into the court and the city police accounts. Court records indicate at least $11,757 of court monies were received between September 1997 and April 28, 1998, but were not deposited. An additional $90 payment was noted as received by the City Clerk on May 18, 1998, which was not deposited.

The amounts received by the court were determined by reviewing receipt slips and various other records that were available. For the year ended June 30, 1998, court dockets could not

be located and receipt records were not complete. As a result, additional monies could be missing.

City officials indicated that during the year ended June 30, 1998, the Court Clerk's wages were to be paid from the city police account. Payments were to be made from the city general account when the balance in the city police account was not sufficient to cover the expense. We compared amounts paid to the Court Clerk from the city police, the city general, and the court bank accounts to payroll records and employee time sheets. Based on timesheets, payroll records and W-2 forms, the clerk earned a total of $7,133 in 1997 and 1998. Her net pay was $6,063, but she actually received $28,332. Payments in excess of authorized compensation were made to the Court Clerk totaling $22,269 ($9,682 from the court account and $12,587 from the police account) between August 1997 and April 1998. Some checks contained notations indicating the payment was for additional services provided or for reimbursement of expenses. However, no documentation was available to support these disbursements. In addition, the Mayor indicated some of the checks appeared to contain forged signatures. Because bank statements were missing and the bank was not able to provide copies of some checks, it is possible additional overpayments were made.

These misappropriations of funds went undetected due to several internal control weaknesses, including inadequate segregation of duties and lack of independent review, as discussed later in this report. Many of these weaknesses were also noted in our prior report.

Information gathered during our review has been turned over to the New Madrid County Prosecuting Attorney.

WE RECOMMEND the municipal division, along with the city, continue to work with law enforcement officials regarding any additional criminal prosecution and to obtain restitution of the missing funds and overpayments.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

I came into office after these missing funds and overpayments had occurred. I will cooperate in any way I can and make available any records or documents I have.

2. Accounting Controls and Procedures

A. The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a

documented independent comparison of receipt slips issued to amounts deposited and an independent review of bank statements and reconciliations. Any unusual items or discrepancies should be investigated.

B.1. The municipal division uses prenumbered receipt slips and indicates the method of payment received (cash, check, money order). However, receipt slips are not issued for some monies received. As a result, the composition of receipt slips cannot be reconciled to the composition of bank deposits.

2. The numerical sequence of receipt slips is not accounted for properly. Some receipt slips were not issued in order and other receipt slips were backdated. The top copy of some voided receipt slips was not retained, and some receipt slips were skipped but not properly defaced to prevent later use.

To adequately account for all monies received, receipt slips should be issued for all monies as they are received, and the composition of receipt slips should be reconciled to the composition of bank deposits. In addition, receipt slips should be issued in order and voided receipt slips should be properly defaced and retained.

C. Some cases are not reported on the court docket. In addition, the Municipal Judge does not sign the court dockets.

Section 479.070, RSMo 1994, requires the proceeding for every case commenced before the court to be entered on the docket, along with the ultimate disposition of the case. To ensure the proper disposition of all cases has been entered in the court records, the judge should sign the dockets after reviewing to ensure their propriety.

D. The Court Clerk does not maintain a bond ledger and does not prepare monthly listings of open items (liabilities). A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

E. The municipal division allows defendants to make partial payments on fines and court costs. However, procedures have not been established to properly account for partial payments received and balances due. Defendants are required to sign a payment agreement form to document the amounts due and establish a payment schedule. However, partial payments received are not documented on the payment agreement forms. In addition, cases with balances due are not maintained on a balance due docket or other summary listing which can be reviewed by the Municipal Judge on a periodic basis.

Periodic supervisory review of balances due and adequate documentation of partial payments received are necessary to ensure that all amounts due are collected or that appropriate follow up action is taken.

F. Fines and court costs received are not properly turned over to the city. Instead, some monies are retained in the municipal division's bank account and are used to pay various court expenses, including salaries of the Judge and office supplies. Section 479.080, RSMo 1994, states that all fines and court costs shall be paid to and deposited monthly into the city treasury. All court expenses should be approved by the board of aldermen and paid by the city.

G.1. The municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date. A schedule listing the offenses which may be paid prior to court and the amount of fines and costs to be imposed for each offense has been posted at the TVB. However, a court order has not been issued to formally establish the TVB and the fine and cost schedule.

Section 479.050 RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and court costs to be imposed for each offense.

2. Amounts collected by the Court Clerk at the TVB do not always agree to the fine and cost schedule. The Court Clerk does not have the authority to impose fines and costs except in those offenses and amounts established by the Municipal Judge in the TVB schedule. The Court Clerk should ensure that amounts collected at the TVB agree with the fine and cost schedule established by the judge.

H. During the audit period, the Court Clerk did not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

I. The Police Chief collects fines, costs, and bonds. However, this individual is not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.

J. Complaint forms issued by the police department for nontraffic ordinance violations are not prenumbered. To ensure all complaint forms are properly accounted for and processed through the court, complaint forms should be prenumbered and the ultimate disposition of each form should be documented.

K. The municipal division did not always forward required records of convictions on traffic offenses to the MSHP. In August 1998, we reviewed 60 tickets issued during the two years ended June 30, 1998; 18 of the 44 tickets which should have been filed with the MSHP had not been filed. Section 302.225, RSMo 1994, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

L. Formal bank reconciliations are not prepared for the municipal division’s bank account. In addition, a running checkbook balance is not recorded in the check

register. As a result, the municipal division cannot ensure the amounts held for open bonds and the amounts turned over to the city each month are proper.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with the bank account and to detect errors on a timely basis. Maintaining a running checkbook balance ensures sufficient funds are available for disbursements.

Conditions similar to parts A-D. and I-K. were also noted in our prior audit report.

WE RECOMMEND the municipal division:

A. Establish a documented periodic review of municipal division records by an independent person.

B. Issue receipt slips for all monies as they are received and reconcile the composition of receipt slips issued to the composition of bank deposits. In addition, receipt slips should be issued in order and voided receipt slips should be properly defaced and retained.

C. Include all cases and the disposition of each case on the court docket as required by state law. The Municipal Judge should review and sign the court dockets to indicate approval of all recorded dispositions.

D. Maintain a bond ledger, prepare monthly listings of open items, and reconcile those listings to the monies held in trust.

E. Establish a balance due docket or other summary listing which can be reviewed by the Municipal Judge on a periodic basis, and ensure adequate documentation is maintained of partial payments received.

F. Ensure fines and court costs received are turned over to the city, and discontinue paying court expenses from the municipal division bank account.

G.1. Prepare a court order to authorize the establishment of a TVB and a fine and cost schedule.

2. Ensure amounts collected at the TVB agree with the fine and cost schedule established by the judge.

H. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

I. Request the city obtain bond coverage for all persons handling municipal division monies.

J. Request the city obtain prenumbered complaint forms, and work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each complaint form.

K. Forward records of conviction on traffic offenses to the MSHP as required by state law.

L. Prepare monthly bank reconciliations and maintain a running checkbook balance.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

A. I will request that a periodic review of municipal division records be made by an independent person.

B. Receipt slips for all monies will be issued as they are received and a reconciliation made of receipts issued to the composition of bank deposits. Receipt slips shall be issued in order and voided receipt slips shall be properly defaced and retained.

C. All cases and dispositions of each case shall be included on the court docket as required by state law. I will review and sign the court docket to indicate approval of all recorded dispositions.

D. A bond ledger is now being maintained. Monthly listings of open items, and a reconciliation of those listings to monies held in trust are also being maintained.

E. A summary listing of the balance due on each docket is being established. This listing will be reviewed by me on a periodic basis. Documentation of partial payments is now being maintained.

F. Fines and court costs are being turned over to the city. No further court expenses will be paid from the municipal division court account.

G.1. A court order to authorize the establishment of a TVB and a fine and costs schedule will be prepared.

2. Amounts collected at the TVB will agree with the fine and cost schedule established by me.

H. Monthly reports of court actions, including fines and costs collected, are filed with the city's governing body in accordance with state law.

I. The request for all persons handling municipal division monies to be bonded has been discussed with the city officials. Presently the Court Clerk and I are bonded; the city's police are not.

J. Prenumbered complaint forms have been ordered. The court will work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each complaint form.

K. All records of convictions on traffic violations will be forwarded to the MSHP as required by state law.

L. A monthly bank reconciliation and a running checkbook balance are now being maintained.

This report is intended for the information of the management of the city of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HOWARDVILLE, MISSOURI
MUNICIPAL DIVISION
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the city of Howardville Municipal Division on recommendations made in the Management Advisory Report (MAR) of our report on the Thirty-Fourth Judicial Circuit Municipal Divisions issued for the two years ended December 31, 1992. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal division should consider implementing these recommendations.

City of Howardville Municipal Division

A. The duties of receiving, recording, and depositing monies were not adequately segregated.

B.1. Receipts were not deposited on a timely basis.

2. The Police Chief did not issue receipt slips for bond monies.

3. Receipt slips were not issued in numerical sequence.

C. 1. A bond ledger was not maintained.

2. Monthly listings of open items were not prepared.

D.1. Neither the police department nor the municipal division maintained adequate records to account for the numerical sequence of traffic tickets assigned to and issued by officers and their ultimate disposition.

2. Ticket books were not assigned to officers in numerical sequence.

3. Summons/complaint forms issued for non-traffic violations were not prenumbered.

E. The Police Chief handled court monies but was not bonded.

F. Some cases were not included on court dockets.

G.1 CVC and LET fees were improperly assessed on non-moving traffic violations.

2. LET fees were not assessed on some non-traffic ordinance violations.

3. Procedures were not adequate to ensure all CVC fees due to the state were remitted.

H. The municipal division collected court costs of $19 per case.

I. Some records of conviction were not forwarded to the MSHP.

Recommendations:

The city of Howardville Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court monies. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Deposit receipts daily or when accumulated receipts exceed $100.

2&3. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

C.1. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances.

2. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the city.

D.1. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

2. Request the police department to assign all traffic tickets in numerical sequence.

3. Obtain and use prenumbered summons/complaint forms for non-traffic ordinance violations and account for the numerical sequence of those summons/complaint forms.

E. Request the city to consider obtaining bond coverage for all individuals handling court monies.

F. Prepare and retain court dockets listing all cases commenced before the court and the disposition of those cases.

G.1
& 2. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

3. Determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state. In the future, the court should ensure all CVC fees are remitted to the state monthly as required by state law.

H. Collect court costs of only $12 as allowed by state law.

I. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A,C,
D.3,
E,F
& I. Not implemented. See MAR No 2.

B.1. Deposits were made in a timely manner during the year ended June 30, 1997. Procedures declined during the year ended June 30, 1998. Although not repeated in the current MAR, our recommendation remains as stated above.

B.2
&3. Partially implemented. The Police Chief issues receipt slips for all monies received. However, the numerical sequence of receipt slips is not properly accounted for. See MAR No. 2.

D.1,
D.2,
G.1,
G.2
& H. Implemented.

G.3. CVC fees were remitted to the state on a monthly basis prior to July 1997. CVC fees collected between July 1997 and May 1998 were not remitted to the state which helped to conceal the misappropriation of court monies discussed in MAR No. 1. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HOWARDVILLE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

The city of Howardville Municipal Division is one of twenty municipal divisions within the Thirty-Fourth Judicial Circuit, which includes New Madrid and Pemiscot counties. The Honorable Fred Copeland serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited into a court bank account and are transmitted by check to the city treasury and state periodically. Court is held twice per month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Clois Taylor
Court Clerk**	Vannessa Frazier

* Earnestine Jackson served as Municipal Judge prior to June 1998.

** Mary Brockman served as Court Clerk from July 1996 through June 1997. Vannessa Frazier was appointed in June 1997 and was terminated in July 1998. Kelly Mann was appointed in July 1998 and resigned in October 1998. Latiece Jackson was appointed in October 1998 and resigned in February 1999.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	501	86

TWENTY-NINTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-34
May 12, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

The following audit report presents our findings and recommendations for the municipal divisions of the Twenty-Ninth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Carl Junction *pages 22-24*

City of Carterville *pages 24-26*

City of Carthage *pages 26-27*

City of Duenweg *pages 27-28*

Village of Duquesne *pages 29-30*

City of Joplin *pages 30-34*

City of Sarcoxie *pages 34-37*

The City of Oronogo Municipal Division was reported on separately.

Actions taken by the various municipal divisions of the Twenty-Ninth Judicial Circuit on recommendations made in the prior report are noted on pages 38-47.

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Twenty-Ninth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997) of the Twenty-Ninth Judicial Circuit as of and for the year ended December 31, 1998 and years ended October 31, 1998 and 1997; June 30, 1998 and 1997; and April 30, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four and five, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-Ninth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Records accounting for the numerical sequence and ultimate disposition of each traffic ticket and summons issued by the city of Carl Junction police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to

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receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended April 30, 1998 and 1997.

Records accounting for the numerical sequence and ultimate disposition of each traffic ticket and summons issued by the city of Sarcoxie police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended April 30, 1998 and 1997.

Governmental Accounting Standards Board Technical Bulletin 99-1, Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1, requires disclosure of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. The various municipal divisions of the Twenty-Ninth Judicial Circuit have omitted such disclosures. We do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal divisions do business will become year 2000-compliant.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding three paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997) of the Twenty-Ninth Judicial Circuit as of and for the year ended December 31, 1998 and years ended October 31, 1998 and 1997; June 30, 1998 and 1997; and April 30, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

We had also planned to audit the accompanying special-purpose financial statements of the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997. These special-purpose financial statements are the responsibility of the municipal divisions' management.

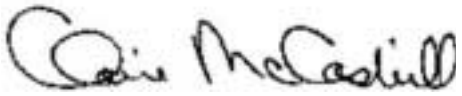
Internal controls and accounting records of the city of Carterville Municipal Division were inadequate. Receipts were not deposited intact and some receipts were not recorded. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained during the time period November 1, 1996 through December 31, 1997. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to the receipts and disbursements of fines, court costs, and bonds for the years ended October 31, 1998 and 1997.

Internal controls and accounting records of the city of Joplin Municipal Division were inadequate. An accurate cash control or daily listings of fines, court costs, and bonds received were not maintained, receipts were not always transmitted intact, and records reconciling amounts received to transmittals were not maintained. In addition, accurate listings of open items were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to the receipts and disbursements of fines, court costs, and bonds for the years ended October 31, 1998 and 1997. In addition, we were unable to assure ourselves of the amount of cash bonds held in trust at October 31, 1998 and 1997.

Because of the effects of the matters discussed in the preceding two paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statements of the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 3, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

February 3, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Twenty-Ninth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997) of the Twenty-Ninth Judicial Circuit as of and for the year ended December 31, 1998 and years ended October 31, 1998 and 1997; June 30, 1998 and 1997; and April 30, 1998 and 1997, and have issued our report thereon dated February 3, 1999. That report expressed a qualified opinion of the special-purpose financial statements of the various municipal divisions of the Twenty-Ninth Judicial Circuit for the applicable fiscal periods. Except as discussed in the report of the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statements of the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997, and have issued our report thereon dated February 3, 1999. In that report we did not express an opinion on those special-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Twenty-Ninth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However,

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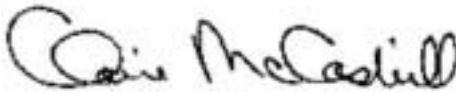
we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Twenty-Ninth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Twenty-Ninth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

February 3, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

		City of Duenweg Year Ended December 31, 1998
RECEIPTS		
Fines, costs, bonds, and other	$	35,384
Total Receipts		35,384
DISBURSEMENTS		
City treasury		31,006
State of Missouri		1,680
Refunds and other		1,536
Total Disbursements		34,222
RECEIPTS OVER (UNDER) DISBURSEMENTS		1,162
CASH, JANAURY 1		0
CASH, DECEMBER 31	$	1,162

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Carterville Year Ended October 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 72,853	70,810
Total Receipts	72,853	70,810
DISBURSEMENTS		
City treasury	54,174	63,581
State of Missouri	2,942	3,533
Refunds and other	12,329	1,874
Total Disbursements	69,445	68,988
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,408	1,822
CASH, NOVEMBER 1	4,272	2,450
CASH, OCTOBER 31	$ 7,680	4,272

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	Village of Duquesne Year Ended October 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 89,903	107,584
Total Receipts	89,903	107,584
DISBURSEMENTS		
Village treasury	83,265	101,100
State of Missouri	3,447	5,136
Refunds and other	4,298	4,020
Total Disbursements	91,010	110,256
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,107	-2,672
CASH, NOVEMBER 1	5,182	7,854
CASH, OCTOBER 31	$ 4,075	5,182

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

(UNAUDITED)

	City of Joplin (Note 4) Year Ended October 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 1,233,670	1,334,270
Total Receipts	1,233,670	1,334,270
DISBURSEMENTS		
City treasury	1,233,670	1,334,270
State of Missouri (Note 3)	0	0
Total Disbursements	1,233,670	1,334,270
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, NOVEMBER 1	0	0
CASH, OCTOBER 31	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Webb City Year Ended October 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 150,790	190,471
Total Receipts	150,790	190,471
DISBURSEMENTS		
City treasury	132,701	173,215
State of Missouri (Note 3)	0	0
Refunds and other	14,789	17,606
Total Disbursements	147,490	190,821
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,300	-350
CASH, NOVEMBER 1	2,533	2,883
CASH, OCTOBER 31	$ 5,833	2,533

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Carthage Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 120,734	141,927
Total Receipts	120,734	141,927
DISBURSEMENTS		
City treasury	109,683	136,273
State of Missouri (Note 3)	0	0
Refunds and other	10,237	5,079
Total Disbursements	119,920	141,352
RECEIPTS OVER (UNDER) DISBURSEMENTS	814	575
CASH, JULY 1	1,603	1,028
CASH, JUNE 30	$ 2,417	1,603

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Carl Junction Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 96,485	84,710
Total Receipts	96,485	84,710
DISBURSEMENTS		
City treasury	76,195	65,520
State of Missouri	3,570	4,100
Refunds and other	17,060	13,755
Total Disbursements	96,825	83,375
RECEIPTS OVER (UNDER) DISBURSEMENTS	-340	1,335
CASH, MAY 1	5,913	4,578
CASH, APRIL 30	$ 5,573	5,913

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Sarcoxie Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 41,427	10,031
Total Receipts	41,427	10,031
DISBURSEMENTS		
City treasury	32,979	7,411
State of Missouri	2,829	575
Refunds and other	5,154	1,165
Total Disbursements	40,962	9,151
RECEIPTS OVER (UNDER) DISBURSEMENTS	465	880
CASH, MAY 1	1,863	983
CASH, APRIL 30	$ 2,328	1,863

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Twenty-Ninth Judicial Circuit of the state of Missouri. The city of Oronogo Municipal Division is reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in the financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury.

Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.
At the financial statement dates identified in the table of contents for the years ended 1998 and 1997, all bank account balances reported for the municipal divisions of the Twenty-Ninth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of
Duenweg, the city of Carterville, the village of Duquesne, the city of Carl Junction, and the city of Sarcoxie. Amounts remitted by the cities to the state are not included in the financial statements.

4. City of Joplin Municipal Division

Bonds posted by defendants for the city of Joplin Municipal Division are deposited directly into the city treasury. The amounts held by the city at year-end could not be determined and, therefore, are not included in the financial statements. In addition, bonds refunded to defendants could not be determined, and these amounts are not included in the financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997) of the Twenty-Ninth Judicial Circuit as of and for the year ended December 31, 1998 and the years ended October 31, 1998 and 1997; June 30, 1998 and 1997; and April 30, 1998 and 1997, and have issued our report thereon dated February 3, 1999. That report expressed a qualified opinion on the special purpose financial statements of the various municipal divisions of the Twenty-Ninth Judicial Circuit for the applicable fiscal periods.

We also had planned to audit the special purpose financial statements of the municipal divisions of the city of Carterville and the city of Joplin as of and for the years ended October 31, 1998 and 1997, and have issued our report thereon dated February 3, 1999. In that report we did not express an opinion on those special purpose financial statements.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Carl Junction Municipal Division

A. Checks and money orders are not restrictively endorsed when received by the police department dispatchers. The Court Clerk endorses these when received from the police department. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

B. Checks issued on the court's bank accounts require signatures of both the Court Clerk and Municipal Judge; however, the checks are sometimes signed in advance by the Municipal Judge. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.

C. The police department issues rediform receipt slips for bond monies rather than official prenumbered receipt slips. As a result, the receipt slips are not specifically printed for the police department which reduces the assurance that all receipt books are accounted for properly. In addition, several receipt slips were skipped and not properly voided, and the top copy of voided receipt slips was not always retained.

To adequately account for all receipts, official prenumbered receipt slips should be issued for all bond monies received, skipped receipt slips should be properly voided, all copies of voided receipt slips should be retained, and the numerical sequence should be accounted for properly.

D. Neither the police department nor the court maintains adequate records to account for traffic tickets or summonses issued. Summons are not prenumbered, and the traffic ticket logs are maintained by issuance date rather than by numerical order.

Without a proper accounting for the numerical sequence of traffic tickets and summonses, the police department and the municipal division cannot be assured that all documents issued were properly submitted to the court for processing. Prenumbered summonses should be obtained, and traffic ticket and summons logs listing the books assigned, each traffic ticket and summons in numerical order, the date issued, and the violator's name would ensure all documents issued were properly submitted to the court for processing, properly voided, or not prosecuted.

E. The following concerns were noted regarding court costs and fees:

1) The court charges court costs of $10 for each case filed. Section 488.012, RSMo Cumulative Supp. 1998, requires court costs of $12 for each case filed in a municipal division.

2) The court collects $3 in Law Enforcement Training (LET) fees for each case filed and remits $1 to the Jasper County Treasurer and $2 to the city. Section 590.140, RSMo Cumulative Supp. 1998, allows up to a $2 fee for LET to be remitted to the city. The city's ordinance only allows a $1 officer training fee to be collected for each case filed.

Conditions similar to Parts A. and D. were also noted in our prior report.

WE RECOMMEND the city of Carl Junction Municipal Division:

A Restrictively endorse all checks and money orders immediately upon receipt

B. Discontinue the practice of signing checks in advance.

C. Request the police department issue official prenumbered receipt slips for all bond monies received and account for the numerical sequence. In addition, all skipped receipt slips should be properly voided, and all copies of voided receipt slips should be retained.

D. Request the city obtain prenumbered summonses and work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets and summonses issued.

E. Collect court costs and fees in accordance with state law and city ordinance.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

A. This procedure is being changed. The new Police Chief is reluctant to allow dispatchers to accept TVB funds.

B. This procedure was used as a matter of convenience during court. This practice has been discontinued. Bond refund recipients will now have to wait for their refunds.

C. The court will require the use of prenumbered receipt slips once the current stock is eliminated.

D. The court is working with the city for the acquisition of a computer system which will assist in the proper accounting of the numerical sequences of tickets and summonses.

The court previously (last audit) requested the police department utilize prenumbered summonses. The court does not control the police department. However, the new Police Chief has indicated his intent to utilize prenumbered summonses.

E.1. This brief mistake has been corrected.

2. This procedure has been adjusted to follow the new law. The court will bring the ordinance situation to the City Attorney's attention.

2. City of Carterville Municipal Division

A. Bond receipts are deposited when received but are not recorded on the cash control ledger until the bonds are refunded or applied to fines and court costs. In addition, amounts recorded on the ledger are not reconciled to deposits. During the year ended October 31, 1998, deposits exceeded recorded receipts by $899, and during the year ended October 31, 1997, recorded receipts exceeded deposits by $466.

To ensure receipts are accounted for properly and deposited intact, all receipts should be recorded on the cash control ledger when received, and recorded receipts should be reconciled to bank deposits. In addition, the court should investigate the differences between receipts and deposits during fiscal years 1998 and 1997 and take any actions deemed appropriate.

B. Checks issued on the court's bank account require signatures of both the Court Clerk and Municipal Judge; however, the checks are sometimes signed in advance by the Municipal Judge. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.

C. Monthly listings of open items (liabilities) are not prepared. At our request, the Court Clerk prepared a listing as of October 30, 1998; however, the reconciled bank account balance of $7,680 was $1,633 more than the listing.

Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the court are sufficient to meet liabilities. In addition, any unidentified monies held by the court should be investigated and disposed of in accordance with state law.

D. The duties of receiving, recording, depositing, and reconciling court receipts are not adequately segregated. The Court Clerk performs all duties related to the collection of fines, court costs, bonds, and restitutions.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisor's review or an independent review of the reconciliation between recorded receipts and deposits, and the bank reconciliations.

E. Neither the police department nor the court maintained adequate records to account for traffic tickets and summonses issued. Traffic ticket issuance logs are prepared, but the logs prior to January 1, 1998, could not be located. In addition, summons issuance logs have not been prepared since October 1994. As a result, numerous traffic ticket and summons numbers selected for review could not be located.

Without a proper accounting for the numerical sequence of traffic tickets and summonses, the police department and the municipal division cannot be assured that all documents issued were properly submitted to the court for processing. A log listing the traffic ticket and summons books assigned, each traffic ticket and summons in numerical order, the date issued, and the violator's name would ensure all documents issued were properly submitted to the court for processing, properly voided, or not prosecuted.

Conditions similar to Parts A. and C. were also noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Carterville Municipal Division as of and for the years ended October 31, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Carterville Municipal Division:

A. Record all receipts when received on the cash control ledger and reconcile recorded receipts to bank deposits. In addition, the court should investigate the noted differences between receipts and deposits and take any actions deemed appropriate.

B. Discontinue the practice of signing checks in advance.

C. Prepare monthly listings of open items and reconcile these listings to monies held in the court bank account. In addition, the court should determine the proper disposition of any unidentified monies remaining in the bank account.

D. Adequately segregate the duties of receiving, recording, depositing, and reconciling court receipts. At a minimum, there should be a documented supervisory review or independent review of the court's receipt and deposit records and the bank reconciliations.

E. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets and summonses issued.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

A. The court has developed an additional ledger to show the reconciliation of receipt slips to deposits. The court has discussed the monetary discrepancies with the Court Clerk. It is the court's understanding that the differences do not represent any funds missing and result mainly from timing differences of receipts or deposits on October 31 versus November 1 of the respective fiscal years.

B. This procedure was used as a matter of convenience during court. This practice has been discontinued. Bond refund recipients will now have to wait for their refunds.

C. It is the court's intent to begin including an open items listing with each monthly report.

D. The feasibility of a small city hiring additional personnel is limited. There are currently two employees in the office. The City Clerk does handle part of the duties with the Court Clerk. The court has requested the City Clerk to review and initial receipts and deposits made by the Court Clerk.

E. The court does not control the police department. However, it is the court's understanding that the police department's computer accounting system for citations is now functioning properly.

3. City of Carthage Municipal Division

A. Receipts are not always deposited intact. Bonds are occasionally refunded in cash and fines and court costs are held and not deposited until the related court date. To ensure receipts are accounted for properly, receipts should be deposited intact and bond refunds should be made by check.

B. The duties of issuing traffic tickets and receiving fines and court costs are not adequately segregated. Police officers, who issue traffic tickets, may receive fines and court costs when the court clerks are off duty.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of issuing traffic tickets and receiving fines and court costs.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Carthage Municipal Division:

A. Deposit receipts intact and make all bond refunds by check.

B. Segregate the duties of issuing traffic tickets and collecting fines and court costs.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and Police Chief provided the following response:

A. Receipts are now deposited intact and bond refunds are returned by check only.

B. From June 1, 1996 to June 1, 1998, a total of 5,593 receipts were issued. Of this number, only 202 receipts were actually issued by an officer. The city has in place Directive No. 1.05 that safeguards against possible loss or misuse of funds.

4. City of Duenweg Municipal Division

A. Receipts are deposited approximately once a week and average about $600. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed $100.

B. The following concerns were noted relating to bond receipts:

1) The police department issues rediform receipt slips for bond monies rather than official prenumbered receipt slips. As a result, the receipt slips are not specifically printed for the police department which reduces the assurance that all receipt books are accounted for properly. In addition, receipt slips were not issued for $1,450 bond monies received in 1998. To adequately account for all receipts, official prenumbered receipt slips should be issued for all bond monies received and the numerical sequence should be accounted for properly.

2) The Court Clerk does not issue receipt slips for bonds received from the police department or initial the receipt slips issued by the police department to indicate the bond monies were turned over to the court. To ensure bond monies are accounted for properly, the Court Clerk should issue receipt slips for all bonds or initial the receipt slips issued by the police department.

C. The duties of receiving, recording, depositing, and reconciling court receipts are not adequately segregated. The Court Clerk performs all duties related to the collection of fines, court costs, bonds, and restitutions.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisor's review or an independent review of the reconciliation between recorded receipts and deposits, and the bank reconciliations.

D. The duties of issuing traffic tickets and receiving fines and court costs are not adequately segregated. Police officers, who issue traffic tickets, may receive fines and court costs when the Court Clerk is off duty.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of issuing traffic tickets and receiving fines and court costs.

WE RECOMMEND the city of Duenweg Municipal Division:

A. Deposit receipts daily or when accumulated receipts exceed $100.

B. Request the police department to issue official prenumbered receipt slips for all bond monies received and account for the numerical sequence. In addition, the Court Clerk should issue receipt slips for all bonds or initial the receipt slips issued by the police department when bond monies are turned over to the court.

C. Adequately segregate the duties of receiving, recording, depositing, and reconciling court receipts. At a minimum, there should be a documented supervisory review or independent review of the court's receipts and deposit records and the bank reconciliations.

D. Segregate the duties of issuing traffic tickets and collecting fines and court costs.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following response:

A. Receipts are now deposited daily or when accumulated receipts exceed $100 with the exception of absence of the Court Clerk (sickness, vacation, training).

B.1. Prenumbered receipt slips for cash bonds have been ordered and received with "Duenweg Police Department" printed on each receipt. Prenumbered bond forms have also been ordered.

2. The Court Clerk will initial all receipt slips for bonds issued by the police department at the time the Court Clerk receives monies.

C. The City Treasurer now signs off on monthly bank reconciliations after reconciliation is done. An independent auditor will audit the city and court records each year.

D. The police officers are not to receive any fine money in absence of the Court Clerk unless it is collected as a bond.

5. Village of Duquesne Municipal Division

A. The following concerns were noted relating to bond receipts:

1) The police department issues rediform receipt slips for bond monies rather than official prenumbered receipt slips. As a result, the receipt slips are not specifically printed for the police department which reduces the assurance that all receipt books are accounted for properly. To adequately account for all receipts, official

prenumbered receipt slips should be issued for all bond monies received and the numerical sequence should be accounted for properly.

2) The Court Clerk does not issue receipt slips for bonds received from the police department or initial the receipt slips issued by the police department to indicate the bond monies were turned over to the court. To ensure bond monies are accounted for properly, the Court Clerk should issue receipt slips for all bonds or initial the receipt slips issued by the police department.

B. The duties of receiving, recording, depositing, and reconciling court receipts are not adequately segregated. The Court Clerk performs all duties related to the collection of fines, court costs, bonds, and restitutions.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisor's review or an independent review of the reconciliation between recorded receipts and deposits, and the bank reconciliations.

C. The duties of issuing traffic tickets and receiving fines and court costs are not adequately segregated. Police officers, who issue traffic tickets, may receive fines and court costs when the Court Clerk is off duty.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of issuing traffic tickets and receiving fines and court costs.

D. The court does not file monthly reports with the village of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare monthly listings of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge and filed with the Village Clerk.

E. Summonses issued for nontraffic ordinance violations are not prenumbered. The village should obtain prenumbered summonses and account for their numerical sequence to ensure they are properly turned into the court for processing.

WE RECOMMEND the village of Duquesne Municipal Division:

A. Request the police department to issue official prenumbered receipt slips for all bond monies received and account for the numerical sequence. In addition, the Court Clerk should issue receipt slips for all bonds or initial the receipt slips issued by the police department when bond monies are turned over to the court.

B. Adequately segregate the duties of receiving, recording, depositing, and reconciling court receipts. At a minimum, there should be a documented supervisory review or independent review of the court's receipts and deposit records and the bank reconciliations.

C. Segregate the duties of issuing traffic tickets and collecting fines and court costs.

D. Prepare monthly reports of court actions and file these with the village in accordance with state law.

E. Request the village to obtain prenumbered summonses and account for the numerical sequence.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

A. The court has purchased one-write journals and printed prenumbered bond forms. This should eliminate these concerns relating to bond receipts.

B. The court's fine and bond accounts are now placed on a computerized system. Monthly, following court, the City Clerk reconciles the bank statements, check books, and journals as a check and balance of the Court Clerk.

C. The police department has restricted their collection of fines. When it is absolutely necessary for a police officer to assist, because of the limited number of city personnel, the funds will be handled through the one-write system.

D. This procedure has been implemented with a detailed report of the court's docket signed off by the Judge and reviewed by the City Clerk.

E. The court does not control the police department. However, it is the court's understanding the police department has purchased prenumbered summonses.

6. City of Joplin Municipal Division

A. Bond monies are initially received by the jail staff. The bond monies are turned over to the Court Clerk, recorded in the court's bond ledger, and transmitted to the city finance department for deposit into the city's bond fund. During our review of bonds, the following concerns were noted:

1) The court's bond ledger includes additional money received from the jail, such as warrant fees and fines and court costs. The warrant fees, fines, and court costs are transmitted to other city funds; therefore, bond receipts cannot be readily reconciled to transmittals to the bond fund.

To ensure all bond receipts are properly accounted for and transmitted to the city finance department, only bond receipts should be recorded in the bond ledger and amounts recorded in the ledger should be reconciled to transmittals.

2) The court's open-items (liabilities) listings are not accurate, and neither the court nor the finance department was able to determine the amount of bonds held by the city.

Bonds forfeited and applied to fines and court costs are not transferred from the bond fund as they occur. In 1998, these monies were retained in the bond fund until the fiscal year-end and the finance department requested the court to provide an open items listing. The finance department then transferred all bond monies from the bond fund to the general fund, excluding the current open items listing amount of $44,859. The court also has an open items listing from an old accounting system that totaled approximately $17,000, but that listing included some bonds that had already been paid out. In addition, the court indicated there are several old bonds that have not been turned over to the state's Unclaimed Property Section.

To ensure proper accountability over bonds, monthly open-items listings should be prepared and reconciled to the bond monies held by the city. The court should work with the finance department to ensure bonds forfeited and applied to fines and court costs are transferred from the bond fund to the general fund as they occur, or the court should maintain a separate bond bank account to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. In addition, any unclaimed bonds remaining one year after final court disposition should be disbursed to the state's Unclaimed Property Section as required by Section 447.595, RSMo 1994.

B. Court receipts are initially recorded on cash register tapes which indicate the composition of the receipts received. Using the cash register information, daily receipt reports are prepared that list fines, court costs, and bonds received, and bonds forfeited and applied to fines and court costs; however, these reports do not indicate the composition of receipts. After a count is made of the cash register drawers, transmittal forms are prepared indicating the amount of cash, checks, and credit card slips transmitted to the city finance department.

The court does not adequately reconcile the cash register tapes, daily receipt reports, and transmittals as follows:

- Receipts are not transmitted intact to the finance department because city employees are allowed to cash personal checks from court receipts.

- The cash register tapes are not reconciled to transmittals; therefore, the court does not reconcile the composition of receipts (total cash, checks, and credit card payments) to the composition of transmittals to the finance department.

- Although the daily receipt reports are generated from cash register information, adjusting entries were made to the receipt reports without adequate documentation. For example, some reversing entries were made to remove some specific receipts from the daily reports, but the case file information indicated the related fines and court costs were received and there was no explanation to support the reversing entries. In addition, bond amounts which are forfeited and applied to fines and court costs are included on the daily receipt reports but are not always specifically identified. Because these amounts do not represent additional receipts, it is difficult to reconcile the daily receipt reports to the transmittal amounts.

- Daily receipt reports were not prepared on a timely basis during 1997. While it appears receipts were transmitted on a daily basis, some daily receipt reports were prepared as much as four months after the receipt and transmittal dates.

- The court identifies differences between the daily receipt totals and the transmittal totals, and our review noted numerous differences (both overages and shortages) between the receipt reports and the transmittal forms. While most of the differences were small, some larger differences were not explained or documented.

To ensure all receipts are properly accounted for and transmitted to the city finance department, the court should adopt procedures to ensure the cash register tapes, daily receipt reports, and transmittal forms agree before receipts are transmitted, and that differences between receipts and transmittals (overages and shortages) are investigated and resolved. The court should prepare accurate daily receipt reports which clearly distinguish between amounts actually received and bonds forfeited and applied to fines and court costs. In addition, the court should discontinue the practice of cashing personal checks from court receipts and ensure the composition of receipts agrees to the composition of transmittals.

C. Monthly reports of fines, court costs, and bonds received and transmitted are not maintained. Monthly reports would facilitate the reconciliation of court and city finance department records. In addition, Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare monthly listings of all cases heard in court, including fines and court costs collected, to be verified by the Court Clerk or Municipal Judge and filed with the City Clerk.

D. Peace Officer Standards and Training Commission (POSTC) fees collected by the court are transmitted to the city treasury. The city has not remitted to the state approximately $15,500 of POSTC fees collected during fiscal year 1998. Section 590.140, RSMo Cumulative Supp. 1998, requires POSTC fees to be disbursed monthly to the state.

E. Crime Victims Compensation (CVC), Law Enforcement Training (LET), and POSTC fees are assessed on dismissed cases and are not assessed on non-moving violations. Sections 590.140 and 595.045, RSMo Cumulative Supp. 1998, require these fees be charged on all violations except for dismissed cases.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Joplin Municipal Division as of and for the years ended October 31, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Joplin Municipal Division:

A.1. Record only bond receipts on the bond ledger and reconcile amounts recorded to amounts transmitted to the city finance department.

2. Prepare accurate and complete monthly listings of open items and reconcile these to the bonds held in trust by the city. The court should work with the finance department to ensure bonds forfeited and applied to fine and court cost are transferred from the bond fund to the general fund daily, or maintain a separate bond bank account. In addition,

unclaimed bonds remaining after one year of court disposition should be disposed of in accordance with state law.

B. Adopt procedures to ensure accurate receipt reports are prepared on a daily basis, and reconcile the cash register tapes and receipt reports to amounts transmitted to the city finance department (including the composition of receipts). The court should investigate and resolve overages and shortages over a specified dollar amount. In addition, the court should discontinue the practice of cashing personal checks from court receipts.

C. Prepare monthly reports of court actions, including fines and costs collected, and file these with the City Clerk in accordance with state law.

D. Calculate the amount of POSTC fees due the state and request the finance department to remit that amount, and ensure these fees are remitted monthly as required by state law.

E. Assess CVC, LET, and POSTC fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Administrator provided the following response:

A.1. The current Incode InCourt Computer Information System allows us to discontinue the use of the cash bond ledger altogether. Moneys collected from the jail are entered into the InCourt System and they are applied as they should be: moneys collected from commitment warrants are applied as fines and costs; cash bonds are entered as cash bonds and are applied as such.

In this system the moneys are not mixed and cash bonds can be and are entered as cash bonds and are tracked as such. Other moneys collected are entered, applied and tracked in the appropriate categories.

In principle we believe the moneys should not be mixed and the system ensures that they are not. The ledger is no longer necessary.

2. In January 1999, the court prepared an accurate and complete listing of all open cash bonds. Within the court this has been reconciled on a monthly basis. This information has been transmitted to the finance department and the two departments of the city (court and finance) are working together to reconcile the bond account.

The city prefers to have the Municipal Court transmit all moneys collected to the finance department and then have the finance department deposit the money and write all checks on the accounts. We believe this to be a better system and one with more checks and balances than would be in place if only one department of the city, the Municipal Court, maintained the cash bond account. We do agree that this account must be reconciled on a monthly basis and are well on the road to having this in place.

The city is in agreement that all unclaimed bonds remaining after one year of court disposition should be disposed of in accordance with state law. There was some confusion as to who should be doing this, the court or the finance department. The court will assume this responsibility.

B. These recommendations have been implemented. A new policy and procedure for cash collection and an interoffice memorandum relative to the cashing of personal checks have been issued.

C. Reports have been prepared for this current fiscal year and filed with the City Clerk.

D. Check #007437 for $15,500 was drafted and mailed to the state Department of Revenue on April 22, 1999.

E. Assessments of CVC, LET, and POSTC fees were changed in January 1999 and are correctly being assessed and not assessed on dismissed cases.

7. City of Sarcoxie Municipal Division

A. Our review noted the following concerns related to receipts:

1) The former Court Clerk did not issue receipt slips for $511 and $2,331 deposited in 1998 and 1997, respectively. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and their numerical sequence should be accounted for properly.

2) The court allows partial payments for fines and court costs. Partial payments are not deposited until the entire amount due has been received. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, partial payments should be deposited daily or as received.

3) The court accepts cash, checks, and money orders for fines, court costs, and bonds. Receipt slips issued by the court do not always indicate the method of payment received. To ensure receipts are deposited intact, the method of payment should be recorded on receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

B. Monthly listings of open items (liabilities) are prepared; however, an unidentified balance of approximately $500 remains in the bank account. The court should investigate the unidentified balance and dispose of this balance in accordance with state law.

C. The duties of receiving, recording, depositing, and reconciling court receipts are not adequately segregated. The Court Clerk performs all duties related to the collection of fines, court costs, and bonds.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a supervisor's review or an independent review of the reconciliation between recorded receipts and deposits, and the bank reconciliations.

D. The police department has established separate logs of traffic tickets and summonses issued; however, the logs do not account for some tickets and summonses issued. During the audit, four ticket numbers selected for review and approximately 180 out of 500 summons numbers assigned to the police department were not listed on the log.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets and summonses, the police department and the municipal division cannot be assured that all documents issued were properly submitted to the court for processing. A complete log listing each ticket/summons number, the date issued, and the violator's name would ensure all documents issued were properly submitted to the court for processing, properly voided, or not prosecuted.

E. The Municipal Judge does not always indicate approval of case dispositions recorded on the individual court dockets for cases handled through the court. To ensure the proper dispositions have been entered in the court records, the Municipal Judge should review each court docket and sign the docket to indicate approval of the recorded dispositions.

F. The following concerns were noted regarding court costs and fees:

1) Crime Victims Compensation (CVC) fees are not assessed for non-traffic ordinance violations. Section 595.045, RSMo Cumulative Supp. 1998, requires these fees to be charged on all cases for violations of municipal ordinances, except for cases dismissed by the court.

2) The court charges a $10 fine for each seat belt violation and also assesses $20 in court costs and fees. Section 307.178.4, RSMo Cumulative Supp. 1998, states a fine not to exceed $10 may be imposed and no court costs shall be imposed on any person for a seat belt law violation.

Conditions similar to Parts B. and D. were also noted in our prior report.

WE RECOMMEND the city of Sarcoxie Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

2. Deposit partial payment receipts daily or as received.

3. Indicate the method of payment on all receipt slips and reconcile the composition of receipts to bank deposits.

B. Investigate the identified cash balance and dispose of this balance in accordance with state law.

C. Adequately segregate the duties of receiving, recording, depositing, and reconciling court receipts. At a minimum, there should be a documented supervisory review or independent review of the court's receipts and deposit records and the bank reconciliations.

D. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets and summonses issued.

E. Require the Municipal Judge's approval of all dispositions on the court docket.

F. Collect court costs and fees in accordance with state law.

AUDITEE'S RESPONSE

The Court Clerk provided the following response:

A.1. Since June 1998, prenumbered receipt slips have been issued and the numerical sequence can be accounted for.

2. Since June 1998, all partial payments, like all other payments, have been deposited on a timely basis.

3. Since June 1998, the method of payment has been on a copy of the receipt slip kept by the court and receipts and deposits are balanced each month.

B. Since the $500 balance occurred prior to the current court administration, I do not have any idea how to begin looking for where it belongs. This money will be disposed of as advised.

C. The City Clerk will be asked to see if she will perform independent reviews.

D. This will be discussed with the police department.

E. Since June 1998, the Judge has signed the docket for each court session held and it is on file.

F.1. I am not responsible for actions of the previous clerk. Since June 1998, this has been implemented.

2. I am not responsible for actions of the previous clerk. For future cases, this law will be noted.

This report is intended for the information of the management of the various municipal divisions of the Twenty-Ninth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Twenty-Ninth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1994 and our report on the city of Carl Junction Municipal Division for the period May 1, 1994 to October 4, 1994 and the two years ended April 30, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

1. City of Carl Junction Municipal Division

   A separate report was issued for the city of Carl Junction Municipal Division. Recommendations applicable to this municipal division were included in that report.

2. City of Carterville Municipal Division

   A.1. Receipts were not deposited intact. Cash was withheld from deposits for making change and refunding cash bonds.

   2. Receipts were deposited once a week.

   3. The method of payment was not indicated on some receipt slips.

   4. Checks and money orders were not restrictively endorsed.

   5. A cash control ledger or listing of daily receipts was not maintained.

   6. Police officers who issued traffic tickets also collected fines and court costs.

   B.1. Open items listings for bonds held in trust were not prepared.

   2. Bond forms were not prenumbered. In addition, the Court Clerk did not initial the receipt slips or bond forms issued by the police department to indicate the bond monies were turned over to the court.

   C. The court did not charge Independent Living Center (ILC), Crime Victims Compensation (CVC), or Law Enforcement Training (LET) fees on some cases as required by state law.

Recommendation:

The city of Carterville Municipal Division:

A.1. Deposit receipts intact, maintain a change fund, if necessary, at a constant amount, and refund all bond monies by check.

2. Deposit receipts daily or when accumulated receipts exceed $100.

3. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

4. Restrictively endorse checks and money orders immediately upon receipt.

5. Maintain a cash control ledger or a listing of daily receipts and reconcile to bank deposits.

6. Segregate the duties of issuing traffic tickets and collecting fines and court costs.

B.1. Prepare monthly listings of open items and reconcile these listings to monies held in trust, and follow up on cash balances that cannot be identified to open cases.

2. Issue prenumbered bond forms and account for the numerical sequence. In addition, the Court Clerk should initial the receipt slips or bond forms issued by the police department when bond monies are turned over to the court.

C. Assess and collect the ILC, CVC, and LET fees in accordance with state law.

Status:

A.1,2,
4, 6,
& C. Implemented.

A.3. Partially implemented. The method of payment is recorded on receipt slips; however, the composition of receipts is not reconciled to the bank deposits. See MAR No. 2.

A.5. Partially implemented. A cash control ledger is maintained; however, cash bonds are not recorded in the order received and receipts are not reconciled to bank deposits. See MAR No. 2.

B.1. Not implemented. See MAR No. 2.

B.2. Partially implemented. The Court Clerk does initial the receipt slips when bond monies are received from the police department; however, bond forms are not prenumbered. Although not repeated in the current report, our recommendation remains as stated above.

3. City of Carthage Municipal Division

A.1. Receipts were not deposited intact. Cash was withheld from deposits for making change and cashing bond refund checks.

2. The method of payment was not indicated on some receipt slips.

3. Receipt slips were not issued in numerical sequence.

4. Police officers who issued traffic tickets also collected fines and court costs.

B. The numerical sequence and ultimate disposition of summonses and parking tickets were not accounted for.

C. The court did not charge the ILC fees as required by state law.

D. The Court Clerk did not initial the receipt slips issued by the police department to indicate the bond monies were turned over to the court.

Recommendation:

The city of Carthage Municipal Division:

A.1. Deposit receipts intact, maintain a change fund, if necessary, at a constant amount, and discontinue cashing bond refund checks.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

3. Issue receipt slips in numerical sequence.

4. Segregate the duties of issuing traffic tickets and collecting fines and court costs.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses and parking tickets.

C. Assess and collect the ILC fee in accordance with state law.

D. Initial the receipt slips or bond forms issued by the police department when bond monies are turned over to the court.

Status:

A.1. Partially implemented. A change fund is maintained at a constant amount; however, bonds are occasionally refunded in cash. See MAR No. 3.

A.2,
A.3&
B-D. Implemented.

A.4. Not implemented. See MAR No. 3.

4. City of Joplin Municipal Division

A. The police department did not maintain accurate records to account for the numerical sequence and ultimate disposition of summonses.

B. Traffic tickets were not always assigned in numerical order.

Recommendation:

The city of Joplin Municipal Division:

A. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses.

B. Request the police department to assign traffic tickets in numerical sequence.

Status:

A&B. Implemented.

5. City of Sarcoxie Municipal Division

A. A ledger or listing of bonds received and disbursed was not maintained.

B. The court filed monthly reports with the city of all cases heard in court; however, these reports were not verified by the Municipal Judge.

C. Bank reconciliations were not documented by the Court Clerk.

D. Monthly listings of open items were not prepared.

E. Complaints issued for nontraffic violations were not prenumbered, and records were not maintained to account for their issuance and disposition.

F. The City Prosecutor did not always sign traffic tickets and summonses not prosecuted.

Recommendation:

The city of Sarcoxie Municipal Division:

A. Maintain a bond ledger for all cash bonds received.

B. Prepare monthly reports of court actions, approved by the Municipal Judge, and file these in accordance with state law.

C. Retain documentation of monthly bank reconciliations.

D. Prepare monthly open-items listings and reconcile these listings to the monies held in trust, and follow up on cash balances that cannot be identified to open cases.

E. Request the city to obtain prenumbered complaints and account for their numerical sequence and ultimate disposition.

F. Ensure the City Prosecutor signs each ticket not prosecuted to indicate his approval.

Status:

A-C & F. Implemented.

D. Partially implemented. The court prepares monthly open items listings but an unidentified balance exists. See MAR No. 7.

E. Partially implemented. Prenumbered complaints (summonses) were obtained; however, their numerical sequence and ultimate disposition are not accounted for properly. See MAR No. 7.

6. City of Webb City Municipal Division

A.1. Receipts were not transmitted to the city daily or when accumulated receipts exceed $100.

2. The method of payment was not indicated on some receipt slips.

3. Checks and money orders were not restrictively endorsed.

4. The court cashed bond refund checks from official receipts.

B. A log of summonses assigned to police officers was not maintained. In addition, a record was not maintained indicating the ultimate disposition of all summonses.

C. The Police Chief destroyed several traffic tickets and did not document their disposal.

D.1. Bond forms were not prenumbered. In addition, the Court Clerk did not initial the receipt slips issued by the police department to indicate the bond monies were turned over to the court.

2. The court did not always maintain a copy of the bond forms issued by the police department.

E. The court did not charge the ILC fees as required by state law.

Recommendation:

The city of Webb City Municipal Division:

A.1. Transmit receipts to the city daily or when accumulated receipts exceed $100.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to transmittals to the city and to bank deposits to the bond account.

3. Restrictively endorse checks and money orders immediately upon receipt.

4. Discontinue the practice of cashing bond refund checks from court receipts.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses.

C. Ensure documentation is maintained for the destruction of unissued traffic tickets.

D.1. Issue prenumbered bond forms and account for the numerical sequence. In addition, the Court Clerk should initial the receipt slips or bond forms issued by the police department when bond monies are turned over to the court.

2. File a copy of the bond form in the applicable case files.

E. Assess and collect the ILC fee in accordance with state law.

Status:

A.1. Not implemented. Receipts are transmitted to the city once or twice a week. Although not repeated in the current report, our recommendation remains as stated above.

A.2-4,
B,C,
D.2
& E. Implemented.

D.1. Partially implemented. The Court Clerk does initial the receipt slips when bond monies are received from the police department; however, bond forms are not prenumbered. Although not repeated in the current report, our recommendation remains as stated above.

TWENTY-NINTH JUDICIAL CIRCUIT
CITY OF CARL JUNCTION MUNICIPAL DIVISION

1. Undeposited Funds

Our review noted undeposited funds of at least $6,833 for the period May 1, 1993 through October 4, 1994.

Recommendation:

The municipal division, along with the city, review the situation and take the necessary actions to determine the disposition of the $6,833 undeposited funds and obtain restitution for any amounts which may have been misappropriated.

Status:

The Municipal Judge notified the Jasper County Sheriff's office, the Jasper County Prosecuting Attorney's office, and the Missouri State Highway Patrol which investigated this matter. No charges were filed and restitution has not been obtained.

2. Receipt Procedures and Controls

A. Accounting duties were not adequately segregated.

B. Receipts were not deposited into the court's bank account intact or on a timely basis.

C. A cash control ledger or a listing of daily receipts was not maintained.

D. Checks and money orders were not restrictively endorsed immediately upon receipt.

E. Bank reconciliations were not prepared.

F. Some receipt slips did not indicate the method of payment received.

G. The original copies of some voided receipt slips were not retained and one entire page of four receipt slips was torn out of a receipt book.

H. The court issued rediform receipt slips for monies received.

I. All police officers had access to court monies and a Traffic Violations Bureau (TVB) clerk had not been appointed.

Recommendation:

The municipal division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review or independent review of the court's receipts and deposit records and the bank reconciliations.

B. Deposit monies intact daily or when accumulated receipts exceed $100.

C. Maintain a cash control ledger or a listing of daily receipts and reconcile to bank deposits.

D. Restrictively endorse checks and money orders immediately upon receipt.

E. Prepare monthly bank reconciliations.

F. Indicate the method of payment on the receipt slips, and reconcile total cash, checks, and money orders received to bank deposits.

G. Retain copies of all receipt slips, including the original copies of voided receipt slips.

H. Issue official prenumbered receipt slips for all monies collected and account for their numerical sequence.

I. Limit access to undeposited cash to only those necessary for the operation of the court and designate an individual as TVB clerk.

Status:

A-C&E-I. Implemented.

D. Not implemented. See MAR No. 1.

3. Bond Procedures and Controls

A. A ledger or listing of bonds received and disbursed was not maintained.

B. Bonds were not always deposited into the court bank account.

C. Monthly listings of open items (liabilities) were not prepared.

Recommendation:

The municipal division:

A. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances.

B. Deposit all bonds into the court bank account and make all disbursements by check.

C. Prepare monthly listings of open items and reconcile these listings to monies held in trust.

Status:

A. Not implemented; however, separate bond receipt books and a bond bank account is maintained. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

4. Court Procedures

A. Some case files selected for review were not located.

B. The court did not file with the city monthly reports of all cases heard in court.

Recommendation:

The municipal division:

A. Retain all municipal court records in accordance with Supreme Court Administrative Rule 8.

B. Prepare monthly reports of court actions and file these in accordance with state law.

Status:

A&B. Implemented.

5. Ticket Accountability

A. Summonses issued for nontraffic ordinance violations were not numbered, and records were not maintained to track their issuance and disposition.

B. A record was not kept indicating the ultimate disposition of each traffic ticket and summons issued.

Recommendation:

The municipal division:

A. Request the city to obtain prenumbered summonses and account for the numerical sequence.

B. Work with the police department to maintain a record indicating the ultimate disposition of each traffic ticket and summons. A system should be established to allow cross-referencing between police case numbers and court case numbers.

Status:

A&B. Not implemented. See MAR No. 1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Twenty-Ninth Judicial Circuit is composed of Jasper County. The Honorable George Baldridge serves as Presiding Judge. There are nine municipal divisions within the Twenty-Ninth Judicial Circuit. The city of Oronogo Municipal Division is reported on separately.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respectively municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Carl Junction

Organization

A part-time court clerk is primarily responsible for recording transactions as well as handling collections and disbursements. Police dispatchers collect fines, court costs, and bonds when the Court Clerk is off-duty. The court maintains two bank accounts; one for the deposit of fines, court costs, and restitution, and one for bonds. Fines and court costs are disbursed by check to the city treasury after each court date. Restitution monies are disbursed by check to the respective recipients. Bond deposits remain in the bond account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Mark A. Elliston
Court Clerk	Carolyn Arnold

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	1,782	1,552

2. City of Carterville

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The court maintains a bank account for the deposit of fines, court costs, bonds, and restitution. Fines and court costs are disbursed by check to the city treasury once a month. Restitution monies are disbursed by check to the respective recipients. Bond deposits remain in the bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Mark A. Elliston
Court Clerk	Sheri Chase

Caseload Information

	Year Ended October 31,	
	1998	1997
Number of cases filed	2,166	1,739

3. City of Carthage

Organization

Two city employees serve as court clerks and are primarily responsible for recording transactions as well as handling collections and disbursements. Police officers collect fines, court costs, and bonds when the court clerks are off-duty. The court deposits fines and court costs directly into the city treasury. Bonds are generally deposited into a court bank account pending disposition, but bonds are sometimes refunded in cash. Court is held once a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Brad Cameron
Court Clerk	Amy Young
Court Clerk	Valerie Buzzard*

* Valerie Buzzard transferred to Carthage City Clerk's office on June 2, 1998. Kim Smith was appointed Court Clerk in November 1998.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	2,168	2,758

4. City of Duenweg

Organization

This court was established by city ordinance on January 1, 1998. The City Clerk serves as the Court Clerk and is primarily responsible for recording transactions as well as handling collections and disbursements. Police officers collect fines, court costs, and bonds when the Court Clerk is off-duty. The court maintains two bank accounts; one for the deposit of fines, court costs, and restitutions, and one for bonds. Fines and court costs are disbursed by check to the city treasury once a month. Restitution monies are disbursed by check to the respective recipients. Bond deposits remain in the bond account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	James DeNeen
City Clerk/Court Clerk	Cindy Troutman

Caseload Information

	Year Ended December 31, 1998
Number of cases filed	650

5. Village of Duquesne

Organization

The Court Clerk and Assistant Court Clerk are primarily responsible for recording transactions as well as handling collections and disbursements. Police officers collect fines, court costs, and bonds when the court clerks are off-duty. The court maintains two bank accounts; one for the deposit of fines, court costs, and restitutions, and one for bonds. Fines and court costs are disbursed by check to the village treasury once a month. Restitution monies are disbursed by check to the respective recipients. Bond deposits remain in the bond account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Mark A. Elliston*
Court Clerk	Janet Stemm
Assistant Court Clerk	Terry Ingram**

* Judith Stiger served as Municipal Judge prior to October 1998.

** This position was established in October 1998.

Caseload Information

	Year Ended October 31,	
	1998	1997
Number of cases filed	751	1,133

6. City of Joplin

Organization

The Court Administrator, assisted by seven other city employees, is responsible for recording transactions as well as handling collections. Fines, court costs, and bonds are transmitted to the City Treasurer daily for deposit to the city treasury. Restitution receipts are disbursed directly to the respective recipients. Court is held six times a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Alexander B. Curchin
Municipal Judge	Sarah Reeder
Court Administrator	Lawrence Myers

Caseload Information

	Year Ended October 31,	
	1998	1997
Number of cases filed	24,473	24,677

7. City of Sarcoxie

Organization

A part-time court clerk is responsible for recording transactions as well as handling collections and disbursements. The court maintains a bank account for fines, court costs, and bonds. Fines and court costs are disbursed by check to the city treasury once a month. Bond deposits remain in the bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Carr Woods*
Court Clerk	Julie Johnson**

* Margery F. Ellis served as Municipal Judge until August 1998.

** Phyllis Carr served as Court Clerk until June 1998.

Caseload Information

	Year Ended April 30,	
	1998	1997

	Number of cases filed	488	235

8. City of Webb City

Organization

Two court clerks are responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are transmitted to the City Collector when received for deposit to the city treasury. Bonds are deposited into a city bank account pending court disposition. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

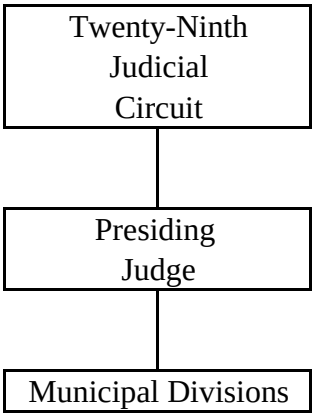
Municipal Judge	Doug Miller*
Court Clerk	Diana Wallace
Court Clerk	Barbara Myers

* Vera Grant served as Municipal Judge prior to April 1997.

Caseload Information

	Year Ended October 31,	
	1998	1997
Estimated number of cases filed	2,736	3,286

TWENTY-NINTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
ORGANIZATION CHART



City of Carl Junction
City of Carterville
City of Carthage
City of Duenweg
Village of Duquesne
City of Joplin
City of Oronogo *
City of Sarcoxie
City of Webb City

* Reported on separately.

* * * * *

AUDIT REPORT

SPECIAL REVIEW
OF
HARRIS-STOWE STATE COLLEGE

From The Office Of State Auditor
Claire McCaskill

Report No. 99-33
May 12, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

Audit Report # 99-33 May 12, 1999

The following findings are some of the problems discovered after our office conducted an audit of Harris-Stowe College in St. Louis.

Harris-Stowe has hired consultants to perform various professional services for the institution. Our review of these consulting expenditures disclosed various concerns regarding the procurement and documentation of these services.

For example, for several years Harris-Stowe has contracted with three former employees to provide consulting services. The related expenditures totaled $101,500 during fiscal year 1997 and the first half of fiscal year 1998. Two of these consultants write grant proposals and advise on various programs. The other individual serves as the College's Executive Institutional Consultant. For 1997 and prior, the College contracted with these three people without soliciting bids for the services as required. When the College realized these services should be bid, a Request for Proposals (RFP) for each of these services was prepared in fiscal year 1998.

The RFPs included restrictive qualifications and it appears they were written to mirror the three consultants' qualifications. One such restrictive qualification was that the person had to have "six years of successful administration of Harris-Stowe's Title III-B program". The manner in which these professional services were procured had the effect of compromising the intent of the bidding process and may have unfairly prevented other possible consultants from being considered.

The State Auditor recommended Harris-Stowe ensure consulting services are competitively bid in accordance with state purchasing guidelines, and that the procurement process is handled in a manner consistent with the intent of the law.

For a number of years, the College President's compensation package has included specified amounts for a tax sheltered annuity and a housing allowance. The College did not adequately oversee, properly account for and correctly report these fringe benefits for tax purposes for the tax years 1992 though 1995. Because it was Harris-Stowe's Board of Regents' intent that these benefits be tax free to the President, in 1996 the College paid the President additional "grossed-up" compensation totaling $192,839 to cover the related income tax liability. This amount included $21,088 in interest charges. As a result, the College incurred additional expenditures of at least $21,088.

The President is now responsible for paying the applicable taxes on his benefits.

(over)

FACT SHEET

Despite the tax reporting problems discovered and corrected for 1995 and prior, we also noted additional problems in accounting for and reporting fringe benefits of the President in 1996 and 1997. Also in fiscal year 1997, the College provided $100,000 more in life insurance coverage for the President than the amount authorized by the Board of Regents. The State Auditor has recommended specific improvements in the administration of compensation issues.

The College has established a five year master plan for campus expansion, which includes the design and construction of six new buildings on campus. Concerns were noted regarding the manner in which the College procured the design and construction management services related to the first of these new buildings, a new library/technology center building.

The College needs to improve documentation regarding the architectural firms considered for design services, and ensure a written description of the scope of the services is prepared as required by state law. The cost of the design services was approximately $175,000. In addition, the College did not advertise for proposals regarding construction management services (costing approximately $83,500) as required by state law, instead these services were negotiated with the firm which designed the building.

The College provides various insurance benefits for its employees. Our review of the College's handling of these benefits disclosed various problems. For example, the College did not reconcile billing statements and eligibility lists from its medical insurance carriers to appropriate personnel and payroll records on a periodic basis. This resulted in the College paying premiums for employees who no longer worked for Harris-Stowe.

Insurance premiums are not always paid on a timely basis. As of April 1998, some premiums had not been paid since December 1997. Furthermore, in early 1997, the College quoted the wrong premium rate to employees and the College paid an additional $16,700 from College funds making up for the mistake. Harris-Stowe needs to improve its control over its employee insurance programs.

Other findings included:

- Harris-Stowe's competitive bid requirements for purchases over $3,000 were not always followed.

- Harris Stowe has not solicited bids for its checking and depository services, nor have policies and procedures been established for the type of investments and bank accounts used by the College.

- The controls over the bank accounts, insufficient funds checks, and electronic transfers between bank accounts need to be improved.

Harris-Stowe agrees with the majority of the State Auditor's findings and is implementing the Auditor's recommendations.

SPECIAL REVIEW OF
HARRIS-STOWE STATE COLLEGE

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Board of Regents
and
Dr. Henry Givens, Jr., President
Harris-Stowe State College
St. Louis, Missouri 63103

We have conducted a special review of Harris-Stowe State College. The objectives of this review were to:

1. Review and evaluate selected College personnel practices and procedures.

2. Review and evaluate certain College purchasing practices and procedures.

3. Review certain internal control procedures, legal compliance issues, and management practices to determine the propriety, efficiency and effectiveness of those procedures and practices.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. For the year ended June 30, 1997, Harris-Stowe State College engaged KPMG Peat Marwick, Certified Public Accountants, to perform the annual audit of the College. Prior to fiscal year 1997, annual audits of the College were performed by Sailor, Khan and Company, Certified Public Accountants. To minimize any duplication of effort, we reviewed the audit reports and letters to management of these firms. We also reviewed budgetary and planning records, policies, and expenditure records. Our review included, but was not necessarily limited to the policies, practices, and transactions of fiscal year 1997, and the period from July 1, 1997, to December 31, 1997.

As part of our review, we assessed the College's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain polices and procedures. For the purpose of this review, we have classified the management controls as purchasing and accounts

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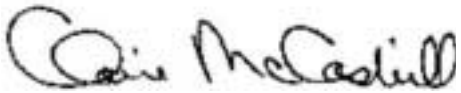
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

payable, cash and accounts receivable, facilities planning operations, personnel, contracts, and safeguarding resources.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information are presented for informational purposes. This information was obtained from the College's management and was not subjected to the procedures applied in the review of Harris-Stowe State College.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of Harris-Stowe State College.



Claire McCaskill
State Auditor

May 21, 1998 (fieldwork completion date)

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Recommendations

SPECIAL REVIEW OF HARRIS-STOWE STATE COLLEGE
SUMMARY OF FINDINGS

1. Payroll and Fringe Benefits Reporting (pages 9-13)

In 1995, instances of malfeasance were discovered involving two employees in the Comptroller's Office. Although the College has made changes in policies and procedures, various weaknesses were still noted in the controls over the payroll and personnel system.

The College did not adequately oversee, properly account for and correctly report the President's fringe benefits for tax purposes for the tax years 1992 through 1995. As a result, the College incurred additional expenditures of at least $21,088. We also noted additional problems in accounting for and reporting fringe benefits in 1996 and 1997.

2. Consulting Services (pages 13-16)

The College did not properly solicit competitive bids for consulting services provided by three former employees. Adequate documentation to support the evaluation and selection process for consultants was not always retained. The College sometimes pays bills for consulting services when adequate supporting documentation has not been submitted. The College's Executive Institutional Consultant sometimes approved payroll authorization forms and certain other expenses on behalf of the President.

3. Design and Construction Management Services (pages 17-18)

The College did not maintain adequate documentation regarding the architectural firms considered for the design services related to the first of six buildings to be constructed during the campus expansion. All information submitted were not maintained nor was a written description of the scope of services prepared. The College did not advertise for construction management services related to this building as required.

4. Expenditures (pages 18-21)

The College's competitive bid requirements for purchases over $3,000 were not always followed. The College needs to improve its controls over the review, approval, and payment of expenses. The College needs to look for ways to reduce its overall food costs. The College needs to develop policies or tighten controls over memberships and telephone calling cards. Some expenditures noted may not be a prudent, reasonable, or necessary use of College funds.

5. Cash Management (pages 21-26)

The College has not solicited bids for its checking and depositary services, nor have policies and procedures been established for the type of investments and bank accounts used by the College. The controls over the bank accounts, insufficient funds checks, and electronic transfers between bank accounts need to be improved.

6. Employee Benefits (pages 26-29)

The College does not reconcile billing statements and eligibility lists from its medical insurance carriers to appropriate personnel and payroll records on a periodic basis. Insurance premiums are not always paid on a timely basis. In early 1997, the College quoted the wrong premium rate to employees and the College paid an additional $16,700 from College funds when it elected to absorb the difference between the quoted and actual rate. The College needs to improve its control over the group life, accidental death/dismemberment, and long-term insurance program.

7. Accounts Receivable (pages 29-31)

Emergency loans made to students are not administered in accordance with College policy. Monthly reconciliations between the subsidiary ledgers and the general ledger accounts are not performed. The College should reevaluate the policy of allowing payroll advances to employees.

8. Accounting System and Controls (pages 31-34)

The College has not developed a policies and procedures manual for the accounting system, and the accounting staff did not appear to be properly trained and supervised. Access to the accounting system needs to be restricted. Forms W-2 are prepared based on an employee identification number rather than the employee's social security number. We noted various errors on the 1997 Forms 1099 MISC. Many expenditures were not coded correctly. An excessive number of employees have the capability to add vendors to the accounts payable system and to add account numbers to the Chart of Accounts. In addition, the vendor file has numerous duplicate vendors.

9. Payroll and Personnel Matters (pages 35-38)

The College needs to establish written job descriptions for its academic and non-academic positions and establish pay grade and/or salary range schedules for its employees. Personnel information related to individual employees was not always complete. A number of errors were noted in the employee leave records. The final payroll check to terminated employees was not always the proper amount or supported by adequate documentation. The College paid severance pay and unemployment benefits for two employees who left employment with the College under unfavorable circumstances. Performance appraisals were not prepared in accordance with College policy. The College's outside employment policy and employment contracts with the academic staff are in conflict with each other. Policies and procedures are not updated timely and changes are not distributed to all employees.

10. Food Service Contract (pages 39-40)

The College needs to improve its control and oversight over the food service operations and ensure any food service provider is required to comply with all contractual provisions.

11. Cellular Phones (pages 40-41)

The College needs to develop a formal written policy regarding the use of cellular phones. Cellular phone bills were not reviewed and authorized before payment and were not paid on a timely basis.

12. Fixed Assets (pages 41-43)

Deficiencies were noted in the College's fixed asset records and procedures. In addition, the College should ensure there is a valid reason for equipment items to be checked out for an extended period of time.

1. Payroll and Fringe Benefits Reporting

A. In 1995, the College President appointed a committee to investigate certain allegations related to the Comptroller's Office which had been brought to his attention. In September 1995, the committee reported various instances of malfeasance involving the Comptroller and a payroll clerk.

The College referred this matter to various federal agencies for further investigation, including law enforcement agencies. The College terminated the employment of these two individuals in December 1995. In November 1996, the former payroll clerk was ordered to make restitution of $4,254 to the College. In February 1997, the former Comptroller was indicted on charges of tax evasion and making false statements on a federal student aid application.

Although the College has made changes in the policies and procedures in the Comptroller's Office since that time, we still noted various weaknesses in the controls over the payroll and personnel system, as noted later in this report. The College should periodically review its policies and procedures over the payroll and personnel functions to ensure improper activity like that described above does not reoccur.

B. For a number of years, the College President's compensation package has included a base salary and fringe benefits which have included specified amounts for a tax sheltered annuity and a housing allowance. The College also has paid premiums for life insurance, spouse medical coverage and long-term care coverage, and has furnished the President an automobile. During our review, we noted that the College did not adequately oversee, properly account for, and correctly report the President's fringe benefits for tax purposes as follows:

1) In 1996, the College determined the taxable value of the fringe benefits provided to the President in previous years had not been reported as required to the Internal Revenue Service (IRS) and state and local tax authorities, and applicable payroll taxes had not been withheld. It appears this situation was identified during the investigation of the problems noted in part A, above. Subsequently, the College worked with the IRS to determine the tax liability.

Since the income tax implications of these fringe benefits were not documented at the time they were provided, the Board of Regents conferred with various current and former board members and it was the recollection of these individuals that the board's intention was that these benefits were to be tax free to the President. Therefore, the Board of Regents decided the College would be liable for the tax liability for 1992 through 1995. To pay this liability, the College paid the President additional "grossed-up"

compensation totaling $192,839 in 1996. This amount represents the initial income tax liability plus an additional amount to cover the increased tax liability on the reimbursed income tax liability.

As a result of this situation, the College incurred additional expenditures of at least $21,088, the estimated interest portion of the tax liability. It should be noted that correspondence in August 1989 from the College's auditors indicated the tax implications of a housing allowance and tax sheltered annuity had been researched and the auditors had concluded that it appeared these benefits should be included in gross income and subject to taxation. It appears the College did not follow the advice of their auditors in the proper handling of these benefits.

2) For 1996 and subsequent years, the Board of Regents decided the President would be liable for the applicable taxes on his fringe benefits. Despite the problems noted above which the College identified and corrected in 1996, our review of Forms W-2 and 1099 issued by the College for 1997 and 1996 disclosed additional problems as follows:

   a) In 1997, the College did not correctly calculate the cost of life insurance furnished the President by the College for coverage of more than $50,000. Under Internal Revenue Code Section 79(a), the cost of employer-provided group-term life insurance coverage greater than $50,000 is to be included in the employee's gross income, should be reported as compensation on the employee's W-2, and be subject to social security and Medicare tax. The College initially reported the taxable cost of excess group-term coverage for the President as $527. The proper amount was actually $4,914.

      The College reported the value of this life insurance benefit to the state's Office of Administration (OA), and OA included this amount on the President's W-2 issued by the state. When we reviewed this calculation, we determined the value of the life insurance reported did not include all months the life insurance was in effect. After we brought this matter to the attention of College personnel, the College sent corrected information to OA, and OA issued a revised 1997 W-2 for the President.

      It should be noted that this situation also applied to various other College employees, with the amount of compensation initially underreported for those individuals ranging from $1 to $333.

   b) In 1996, the Form 1099 issued for the President's fringe benefits did not include the value of the automobile furnished by the College. While we did not calculate the amount compensation was underreported in 1996 as a result of this situation, the value of the automobile furnished to the President in 1997 as determined by the College was $1,628.

3) In fiscal year 1997, the College provided $100,000 more in life insurance coverage for the President than the amount authorized by the Board of Regents. The Board of Regents had approved life insurance coverage of $300,000 for that fiscal year, while coverage of $400,000 was actually provided by the College.

For a number of years, the College has carried a separate $100,000 life insurance policy for the President. The College provided the remainder of the life insurance coverage for the President through its group-term insurance program for all employees. In 1997, the College did not consider the $100,000 policy in the insurance being provided the President, and paid the entire approved amount of life insurance for the President through the program for all employees. As a result of this situation, the College incurred excess costs for insurance premiums related to the President's insurance coverage.

The Vice-President of Business and Financial Affairs corrected this situation in 1998, after we began reviewing this area.

WE RECOMMEND the College:

A. Periodically review its policies and procedures over the payroll and personnel functions to ensure controls are adequate and that improper payroll activities do not occur without being detected.

B.1 &2. Ensure all provisions of compensation packages are adequately documented and the tax liabilities and reporting requirements related to fringe benefits provided to all employees are handled and accounted for properly. In addition, the College should consider the advice of its auditors and other professionals and ensure pertinent information is considered and discussed with the Board of Regents, as needed and on a timely basis.

3. Ensure the benefits being provided the President are in accordance with the compensation package authorized by the Board of Regents.

AUDITEE'S RESPONSE

A. The test of an institution's commitment to safeguard public funds is its ability to identify problems and take corrective action. Although no institution is immune from wrongful conduct by an individual employee, the institution must be vigilant to limit any potential loss of public funds. The Board of Regents of Harris-Stowe State College ("College") is pleased that the Office of the State Auditor ("Auditor") recognized the College's actions in investigating the misconduct of two employees in the Comptroller's Office two years prior to the state's audit of the College. The College's investigation resulted in the termination of both employees and contributed to their successful prosecution. The prompt actions of Dr. Henry Givens, President of the College, avoided any financial loss to the College. The College's remedial actions did not, however, end with the removal of two employees. Rather, at the direction of the Board of Regents and under the direction of Dr. Givens, the College

reviewed its accounting and business practices, and the staffing of its financial departments. As the College pursued its expanding mission, it became even more imperative to employ professionals who would guarantee an efficient and safe handling of its funds. These efforts were initiated, and in large part completed, prior to the state's audit.

These prospective actions included, but were not limited to, retention of a new Vice President of Business and Financial Affairs, Rochelle Tilghman. Ms. Tilghman is a licensed certified public accountant possessing a Masters of Science degree in taxation. Her experience includes over twenty years of fiscal experience in local, state and federal environments. In addition, in 1998, the College hired a new Comptroller, Constance Bowman, who is responsible for monitoring the internal controls put in place to safeguard college funds. Ms. Bowman is a licensed certified public accountant with over ten years experience in the fiscal arena, including internal and external auditing, as well as management consulting for governmental agencies and not-for-profit organizations. Moreover, in 1996, the Board of Regents replaced its former external auditors with KPMG Peat Marwick, L.L.P. Since 1996, the College has received two unqualified opinions from KPMG. The Board of Regents believes that this team of internal professionals and external auditors will guarantee that college funds are fully utilized in carrying out the College's mission of providing the highest quality education to its students.

The College accepts the Auditor's recommendation and already has in place a procedure to monitor its payroll and personnel functions.

B. *The presidents of each state college and university are provided with a residence without tax consequences or with a commensurate housing allowance. In the early years of Harris-Stowe, there were simply no funds available to provide Dr. Givens a residence on the College's campus. In recent years, the College has undergone a broad building program to provide classroom space for its expanding student programs. It was and is Dr. Givens' preference that all available funds be dedicated to student needs and not diverted to building the president a home. Acting under advice of outside professionals, the Regents provided Dr. Givens with a housing allowance intending it to be a tax-free benefit. Indeed, had the College built the president a home on campus, his housing would have been tax-free.*

As noted by the Auditor's office, the College did not learn of the tax consequences attached to its provision of a housing allowance until early 1996. A memorandum from its external auditor in 1989 suggested there may be such tax consequences. However, this memorandum was provided to the College's Vice President for Business and Financial Affairs at the time, not to the College's President or Board of Regents. The memorandum was not forwarded to the President and the College's external auditor did not comment on this potential liability in any succeeding audit. Thus, neither the President nor the Board of Regents were made aware of the potential tax liability until it was discovered as a result of the work of the investigative committee formed by Dr. Givens in 1995.

When the President and Board of Regents discovered the tax issue in 1996, two steps were taken - one immediate and long-term. Since it had always been the Board of Regents' intent to provide a tax-free housing allowance consistent with other state college presidents, the Board of Regents assumed financial responsibility for the tax liability, consistent with the board's employment agreement with Dr. Givens. Long-term, the Board of Regents and Dr. Givens dealt with the issue of why this tax liability was not reported to the board or

President in a timely manner. As previously noted, these actions included replacement of the College's outside accounting firm and replacement of the College's Vice President for Business and Financial Affairs. These actions were all taken prior to the state's audit of the College. Unfortunately, the failure to report resulted in an interest payment to the IRS of $21,088 that the College would not have expended if the tax issue had been promptly reported to the Board of Regents or to Dr. Givens. The College accepts responsibility for this $21,000 payment.

Since the College became part of the state system of higher education in 1979, the College had never been audited by the Office of the State Auditor. As a new college in the state system, assistance and guidance from the Office of the State Auditor would have been useful during this period.

2. Consulting Services

The College has hired consultants to perform various professional services for the institution. During the period reviewed, these services included grant writing; institutional support; accounting; legislative research; and fundraising. Our review of these consulting expenditures and their procurement noted the following concerns:

A. The state's OA has granted the College the authority, through Chapter 34 RSMo, to procure contractual services directly rather than referring their procurement to the OA, Division of Purchasing and Materials Management. The College must still comply with several of the state's purchasing guidelines. The College must solicit competitive bids for purchases of $3,000 or more. For purchases of $25,000 or more, the College must comply with requirements for public notice, solicitation and advertising in accordance with Sections 34.040 and 34.042 RSMo, Cum. Supp. 1997. According to OA guidelines, the phrase "solicit competitive bids" means that the College must provide a legitimate opportunity for prospective vendors to compete. For several years, the College has contracted with three former employees to provide consulting services for the College. Two of these consultants write grant proposals and advise on various programs, and they received approximately $15,000 and $18,500 , respectively, for the period July 1, 1996 to December 31, 1997. The other individual serves as the College's Executive Institutional Consultant and received approximately $68,000 for period July 1, 1996 to December 31, 1997.

   For 1997 and prior, the College contracted with these individuals without soliciting bids for the services as required. When the College realized these services should be bid, a Request for Proposals (RFP) for each of these services was prepared. However, the College's handling of the procurement process compromised the intent of Chapter 34, RSMo.

   It appears the RFPs were written to accommodate the consultants' qualifications. The RFPs contained restrictive qualifications such as "knowledge of HSSC, its people and its strengths ... six years successful administration of HSSC's Title III-B program"; "extensive knowledge of Harris-Stowe State College and its programs"; "extensive knowledge of the history of Harris-Stowe State College and its

predecessor institutions ... exceptionally knowledgeable of the College's current academic programs, mission expansion and campus expansion efforts".

These qualifications outlined in the RFPs represented qualifications held primarily by the existing consultants and had the effect of excluding other possible consultants from consideration. The College received only one response to each of these three RFPs; those being from the consultants already providing the service. It appears the manner in which the College procured those services contributed to this lack of response.

Soliciting proposals and entering into a truly competitive bidding process does not preclude the College from selecting the vendor or individual best suited to provide the service required. Good bidding practices provide the College with a range of possible choices and allow it to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost.

B. The College did not always retain adequate documentation to support the evaluation of proposals received and the selection process. As a result, it was difficult to determine whether the procurement of various other services was handled properly.

1) The agreement for legislative research services in effect for the period November 1, 1997 to June 30, 1998, provided for consulting fees of at least $13,600. We obtained the RFP for these services and the response to the RFP from the consultant selected; however, the College could not provide us with information/documentation regarding the number of RFPs sent to or proposals received from other interested parties, or the review and selection criteria.

   In addition, the scope of services provided under this consulting agreement included obtaining various reports and other information which it appears would be readily available to the college. It is unclear why the college paid a consultant to obtain information which it could readily obtain itself. We also noted the agreement for legislative research services for the period October 1, 1996 to June 30, 1997, included similar services. This agreement provided for consulting fees of $16,000, requiring $7,000 of this amount to be paid at the inception of the agreement, before any services were performed.

2) The College pays a consultant $2,500 per month for fundraising services. It appears proposals for these services were solicited in April 1996, for fiscal year 1997. We observed a letter from the evaluation committee which indicated two responses were received and evaluated, and recommended the College retain the consultant already providing the service. However, the College could not provide us with a copy of the RFP identifying the scope of these services, or documentation that the College complied with the requirements of public notice, solicitation, and advertisement as required by state law.

   The current contract provides for the renewal of these services through fiscal year 2000.

All documentation related to the solicitation, advertisement, and evaluation of proposals should be retained to demonstrate the College's compliance with the state's competitive bidding requirements. In addition, the College should reconsider the need for paying a consultant to obtain information which it could readily obtain itself. In addition, payment for consulting services should be made after the services are provided.

C. The College sometimes pays bills for consulting services when adequate supporting documentation has not been submitted as follows:

1) The RFP for legislative research services provides for a suggested number of hours per month, with the consultant to be paid for a minimum number of hours in total for the entire contract period. We noted that when the consultant bills the College for services, he submits a narrative of his activities; however, his invoice does not indicate the number of hours worked during that period. As a result, the College has little assurance that the consultant is being paid based on the actual hours worked, or that the minimum number of hours as specified in the RFP will be fulfilled.

2) The monthly invoice for fundraising activities does not describe any tasks performed or when performed, but is simply a request for payment of the "monthly installment". As indicated earlier, the College could not provide us with documentation defining the scope of these services; therefore, it is difficult to calculate the reasonableness and propriety of the amounts paid.

The College should ensure that adequate supporting documentation is provided for any consulting services paid. Documentation should describe the tasks performed and the time spent on these duties if the consultant is paid on an hourly or other per unit basis. Lack of adequate documentation prevents the College from evaluating the appropriateness of the consultant services being billed.

D. The College's Executive Institutional Consultant sometimes approved payroll authorization forms and certain other expenses on behalf of the President. It does not appear a consultant should be authorizing and/or approving expenditure transactions in lieu of proper authorization by a College official.

WE RECOMMEND the College:

A. Ensure consulting services are competitively bid in accordance with state purchasing guidelines, and that the procurement process is handled in a manner consistent with the intent of the law.

B. Ensure all information/documentation related to the solicitation, advertisement, and evaluation of the RFPs is properly retained. In addition, the College should reconsider the need to pay a consultant to obtain information which it can readily obtain itself. Also, payment for services should be made after the services are provided.

C. Ensure consultants are paid in accordance with contract provisions and only when adequate documentation to support the billings has been provided.

D. Consider the appropriateness of allowing a consultant to approve and/or authorize transactions which would generally be considered the responsibility of the College's management.

AUDITEE'S RESPONSE

A. Pursuant to Chapter 34 of the Missouri Revised Statutes, the College is required to seek competitive bids for any purchase, rental, or lease of any equipment, article, or thing in excess of $3,000. While the College concurs with the Auditor's finding that it had not solicited competitive bids for some consulting services provided to the College prior to fiscal year 1998, the College does not agree that the manner in which it subsequently solicited bids for these services compromised the intent of Chapter 34.

First, each Request for Proposal ("RFP") for consulting services sets forth the specific qualifications necessary to perform the tasks associated with the consultation without a lengthy, and thereby costly, learning period. As a result, the College obtained the needed services from the best qualified vendor at the lowest possible cost. While the Auditor has concluded that these specific qualifications had the effect of excluding other candidates from consideration, the College believes that any number of its former employees and other higher education personnel in the St. Louis metropolitan area met the qualifications and could reasonably have submitted bids to provide the consulting services sought. Moreover, the use of emeritus employees to perform consulting services is an established and accepted practice at institutions of higher education.

Second, in a finding related to the intent of Chapter 34, the Auditor cites a number of purportedly "restrictive" qualifications contained in the RFPs distributed by the College. The Auditor suggests that <u>every</u> RFP reviewed contained <u>each</u> of the qualifications referenced. In fact, the qualifications cited by the Auditor were extracted from at least <u>three</u> different RFPs, none of which contained all of the "restrictive" qualifications referenced in the audit report.

Furthermore, though not mandated to do so by statute, the College solicited competitive bids for consulting services by publishing the RFPs in the St. Louis Record, a legal publication circulated in the St. Louis metropolitan area.

Because the College does not believe that its actions relating to the solicitation of competitive bids for some consulting services for fiscal year 1997 were contrary to state purchasing guidelines or inconsistent with the intent of Chapter 34, the Auditor's recommendation is superfluous. With rare exception, the College has followed all state statutes and guidelines with respect to soliciting bids for consulting services. It should also be noted that in no case did the College expend public funds in excess of reasonable amounts for the services provided.

B. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation.

C. *With respect to the instances cited, the College concurs with the Auditor's findings and recommendation. Moreover, the College requires the submission of a copy of the contract, the invoice, and the validating signature of the appropriate administrator after services are performed and before any payment for consulting services is rendered.*

D. *The College concurs with the Auditor's findings and recommendation.*

3. Design and Construction Management Services

The College has established a five-year master plan for campus expansion. The plan includes the design and construction of six new buildings on campus. In April 1995, the College contracted with an engineering and architectural firm for the design of the first of these six buildings, a new library/technology center building. The design fee was approximately $175,000. This agreement was subsequently amended in May 1997 to include construction management services for the new library/technology center building. The cost of these additional services was approximately $83,500. The total estimated construction cost of this building was approximately $2,100,000. We noted the following concerns regarding the procurement of design and construction management services of the new library/technology center building:

A. The College did not maintain adequate documentation regarding the architectural firms considered for the design services. Although the College had documentation indicating six firms were evaluated for design services, the College could only provide us with the information submitted by the firm selected. In addition, the College did not have a written description of the scope of the proposed services.

   The College should maintain complete documentation related to the procurement of architectural services, including all information received. In addition, Section 8.291, RSMo 1994, requires that a written description of the scope of the proposed services should be prepared during the procurement of engineering or architectural services as a basis for negotiations.

B. The construction management services were not procured in accordance with state law. The College negotiated with the firm which designed the building to provide construction management services without advertising for proposals for these services.

   Section 8.679, RSMo 1994, provides that if the cost of a construction project exceeds $1,500,000, proposals for construction management services shall be solicited by advertisement in a specified manner. The proposals are then to be evaluated based on various criteria as outlined in Section 8.681, RSMo 1994.

WE RECOMMEND the College:

A. Retain all information received related to the procurement of engineering and architectural services. In addition, a written description of the scope of the proposed services should be prepared as required.

B. Advertise for the procurement of construction management services in accordance with state law.

AUDITEE'S RESPONSE

A. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation.

B. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation. It should also be noted that the amount paid by the College was consistent with, if not lower than, the St. Louis market rate for such services.

4. Expenditures

College records indicate expenditures, not including personal service costs, totaled approximately $4,325,000 and $9,900,000 for the period July 1, 1997 to December 31, 1997 and for the year ended June 30, 1997, respectively. Our review of these expenditures disclosed the following:

A. College purchasing guidelines require competitive bids for purchases over $3,000. For purchases over $25,000, the College must comply with requirements for public notice, solicitation, and advertisement in accordance with Chapter 34, RSMo. During our review of expenditures, we noted some items were not properly bid. For example, for the period July 1, 1996 to December 31, 1997, the College paid its recruiting/advertising firm over $26,000 for services (this amount does not include the actual costs of advertising). According to College personnel, this service has not been bid for several years. In addition, the College paid approximately $224,000 for janitorial services for the period July 1, 1996 to December 31, 1997. It appears this service was last bid in 1995. Also according to College personnel, the College bookstore service has not been bid since 1986. For the period July 1, 1996 to December 31, 1997, the College paid over $95,000 for the bookstore purchases. Other purchases noted that were not bid include robot kits and parts totaling $9,189, school banners totaling $7,972, and a chartered bus for the baseball team totaling $3,287.

Purchasing policies should be enforced to ensure items or services are purchased at the lowest and best price. In addition, competitive bidding also helps ensure all vendors are given an equal opportunity to participate in College business.

B. We noted the following weaknesses in the reviewing, approving, and paying of College expenses:

1) Many payments did not include adequate supporting documentation. For example, the invoices and other supporting documentation for meal charges did not generally identify the business purpose of the meal or the names of those individuals provided meals. In addition, payments made for credit card purchases were generally paid from the credit card statement, without an attached, itemized list of items purchased or services received. Hotel statements did not usually include an itemized statement of the charges.

Also, the College did not retain delivery slips for courier service; therefore, the delivery slips were apparently not reconciled to an invoice before payment was made.

2) Disbursements are made from a signed distributing order. The distributing order requires two signatures, an authorizing approval signature and approval signature. It appears the employee with knowledge about the disbursement generally authorizes the distributing order, and then the transaction is to be approved by the employee's supervisor. However, the College does not require the supporting documentation such as invoices to be reviewed or initialed by either the individual authorizing the disbursement or the supervisor who approves the disbursement.

3) The College did not always make payments on a timely basis. During our review of expenditures, we noted at least $1,900 was paid for late fees/charges on items such as cellular phone bills and credit card statements. In addition, we noted the College incurred an IRS penalty of $1,392 in late 1996 for insufficient or untimely payroll tax deposits.

4) It appears invoices are not always reviewed for mathematical accuracy prior to being paid. During our review, we noted overpayments, totaling over $600, to vendors because of mathematical errors on the invoices.

The College should establish policies and procedures to ensure bills are properly reviewed and authorized, invoices are mathematically accurate, and bills and other required payments are paid timely. In addition, the College should ensure that adequate documentation is attached to support all expenditures. All meal purchases should identify the business purpose and the individuals provided meals. Credit card and hotel statements should be supported by an itemized list of charges and delivery slips for courier services should be retained and reconciled to invoices.

C. The College's expenditure records indicate that during the period July 1, 1996 to December 31, 1997, food expenditures totaled over $94,000 from various unrestricted funds. Those food costs included expenses related to travel by College employees on official business and food purchases related to various meetings of the faculty, staff, President's cabinet, and Board of Regents.

While a certain level of food expenses is probably necessary, those costs need to be assessed in terms of their importance compared to other critical education needs of the College. The College should review this area and look for ways to reduce its overall food costs.

D. During our review of expenditures, we noted various types of expenditures for which policies have not been developed. These areas include the following:

1) For the period July 1, 1996 to December 31, 1997, College records indicate the College spent approximately $30,000 for individual memberships and dues to various organizations. A written policy should be developed to clarify what types of memberships are allowed, and perhaps, limit the number

or dollar amount per employee. A written policy would provide guidance for employees in determining memberships that would be allowed, as well as give the College greater control over expenditures and ensure the memberships are beneficial to the College.

2) The College provides telephone calling cards to some employees to use for College business. According to College personnel, only international calls are reviewed so the call can be charged to the proper department. Our review of the telephone calling cards disclosed some calls were made on weekends and some calls were made to the applicable employee's home. No documentation was maintained to indicate whether these calls were of a personal nature or for the benefit of the College.

The College should ensure adequate controls are established over charges incurred on telephone calling cards.

E. During our review, we noted other expenditures which may not be a prudent, reasonable, or necessary use of College funds as follows:

1) We noted instances where tickets were purchased for faculty and staff, students, regents, and special guests for events such as awards dinners and/or dinner roasts, sporting events, and concerts. College records indicated over $20,000 was spent on cultural and social event tickets for the period July 1, 1996 to December 31, 1997.

2) The Harris-Stowe Foundation is a not-for-profit corporation established to provide support and assistance to the College. During our review, we noted the College sometimes provides meals for Foundation meetings. In addition, we noted the College spent over $2,300 in August 1997 for an appreciation dinner for the Foundation Board. Providing public funds to private organizations appears to be inappropriate and may violate provisions of the Missouri Constitution.

It is important that all expenditures be viewed in terms of the critical needs of the College. In times of limited resources, expenditures should be evaluated and compared to the overall goals and responsibilities of the College. In addition, the College should not donate public funds to its Foundation.

WE RECOMMEND the College:

A. Ensure purchases of goods or services are properly bid in accordance with established purchasing policies and state law.

B. Establish written policies and procedures to ensure bills are properly reviewed and authorized, invoices are mathematically accurate, and bills and other required payments are paid timely. In addition, the College should ensure that adequate supporting documentation is retained and attached for all payments.

C. Review food expenses closely to ensure they are necessary and benefit the College. An effort should be made to reduce expenditures in this area, if possible.

D.1. Establish a policy which addresses payment of employee dues and memberships. The policy should cover the number of memberships that will be paid per employee or establish an annual dollar amount that may be spent by an employee. It should address the types of organizations which may be joined at the College's expense, limiting such memberships to those which will benefit the College.

2. Establish adequate controls to ensure the proper use of telephone calling cards.

E. Ensure all expenditures are necessary and a proper use of College funds. The College should not donate public funds to the Foundation.

AUDITEE'S RESPONSE

A-C. The College concurs with the Auditor's findings and has implemented the Auditor's recommendations.

D. Participation by institutions of higher education, including the faculty and professional staff, in the multitude of collegiate professional associations is highly encouraged by the national higher education accreditation organizations and is indeed a requisite for professional growth. The College's participation level is appropriate and is considered by the College to be a necessity. Moreover, individual memberships are carefully scrutinized by the appropriate Vice President and must be related to the College's mission. Institutional memberships are recommended by Vice Presidents and ultimately considered for approval by the College's President.

The College has maintained adequate internal controls to prevent employees from misusing long distance telephone calling cards. It should be noted that only 16 of the 160 College employees have been issued long distance telephone calling cards. Issuance of the calling cards is based solely on the employees' job assignment. Calling cards have been issued to employees, all of whom travel regularly on behalf of the College. It should further be noted that the costs associated with the use of long distance telephone calling cards is minimal.

E. During the period referenced by the Auditor, the College was heavily engaged in a major fundraising effort to support its mission and campus expansion. To date, fundraising efforts have brought in $21.7 million of its $30 million goal. Participation in community events is deemed an integral part of the development effort. Furthermore, tickets to some cultural events were purchased, using earmarked grant funds, for participants in the College's programs for low income and first generation pre-college and college students.

The College concurs with the Auditor's findings with respect to the Harris-Stowe Foundation and has implemented the Auditor's recommendation.

5. Cash Management

Our review of the controls, policies, and procedures related to the College's banking practices and handling of receipts disclosed the following concerns:

A. The College has not solicited bids for its checking and depositary services nor entered into a written agreement with its depositary bank. To ensure the quality of banking services and ensure interest earnings received by the College are maximized, the College should procure its banking services through a competitive bid process. In addition, the College should enter into a written agreement with its depository bank.

All such agreements should require that deposits in excess of Federal Depositary Insurance Corporation (FDIC) limits be secured by bank assets pledged to the College. In addition, the bank service agreement provisions should include, but not be limited to, any bank fees for check printing, checking account services, safe deposit boxes, interest charges for borrowed funds, and interest rates for invested funds. A written depositary contract helps both the College and the bank understand and comply with the requirements of any banking arrangement.

B. The College has not established policies and procedures for the type of investments and bank accounts needed to maximize the interest earnings of the College. Currently, receipts are deposited in regular checking accounts, super negotiable order of withdrawal accounts, a saving account, and a money market account. Funds deposited for the campus expansion are invested in certificates of deposit, U. S. Treasury notes, and other government securities.

Monies in the College's unrestricted account that are not needed for day-to-day business are swept daily by the bank into a treasury money market account. This treasury money market account is exempt from state income tax. As a result, it appears the investment return was probably lower than investments which are taxable. Since the College does not pay state tax, it appears this account did not provide the College with as high a return as other investment alternatives.

The average rate of return on this account in 1997 was approximately 4.6 percent. In contrast, the rate of return on overnight repurchase agreements of the State Treasurer's office in fiscal year 1997 was approximately 5.5 percent. Considering the average balance of this account was approximately $580,000 in 1997, it appears the College could have earned an additional $5,200 in interest in that year had it maintained this money in a comparable higher yielding account.

Monies should be maintained in the highest yielding investment legally possible, while still considering the liquidity needs of the College and security of the funds. The College should establish policies and procedures for the appropriate types of investments, including bank deposits and government securities that meet its needs.

C. The College collects monies for tuition and fees, from federal, state, and local grants and contracts, and from private donations. The majority of these monies are received by check, money order, credit card, and wire transfer; however, over 10 percent is received in cash. The Cashier's Office collects and deposits these funds. Our review of the Cashier's Office noted the following concerns:

1) The College has twenty-eight bank accounts, and it appears a separate bank account has been established whenever monies are received for a specific

program. At the time of our review, we noted four accounts had a zero balance and were not being used. Another account had a balance of approximately $1,300 and was also inactive.

A large number of bank accounts requires additional record keeping and increases the likelihood that errors will occur in the handling of funds. Overall efficiency could be improved by reducing the number of accounts to as few accounts as needed. Consolidating existing accounts would also allow funds to be pooled for increased investment opportunities.

2) Bank reconciliations are not adequate and are not prepared on a timely basis. In addition, according to College personnel, there is limited supervisory review of the bank reconciliations. During a review of the December 1997 bank reconciliations for the unrestricted account, general disbursement account, and the payroll account we noted the following problems with the bank reconciliations of these accounts:

* The amount of outstanding checks on the reconciliations was not always supported by a detailed list of checks.

* Some transfer amounts recorded in the general ledger did not agree to the amounts actually transferred per the bank statements. In addition, some transfer amounts recorded on the general ledger never appeared on the bank statements.

* Some credit card receipts which were refunded (due to students dropping classes) and deducted from the bank account were not recorded in the general ledger.

* On December 11, 1997, the bank validated a deposit with included $174 in cash; however, this amount did not get credited to the account in December 1997. College personnel were not aware of this bank error until we brought it to their attention in March 1998. The $174 was identified on the December 1997 bank reconciliation as a deposit in transit. The bank credited $174 to the College's account in March 1998.

* Some adjustments on the reconciliations appeared to be plug numbers to agree bank to book, and were carried forward from month to month. These adjustments are not investigated and corrected on a timely basis.

* We noted seven payroll checks, totaling $2,102, which had been outstanding since June or September 1996.

Monthly bank reconciliations are necessary to ensure the accounting records agree with bank records and to detect misstatements on a timely basis. In addition, checks outstanding for over a year should be investigated and reissued if necessary.

3) Receipts are not deposited intact. The College allows employees to cash personal checks out of daily cash receipts. Cashing personal checks from daily receipts is a poor practice and reduces the accountability for monies received.

4) Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. Individuals giving the College checks which are returned by the bank for insufficient funds (NSF) are assessed a fee of $15. If the NSF check is from a student, the check amount and fee is recorded on the student's account along with a "hold". A hold on a student's account is intended to prevent further activity (such as registering for classes, receiving grades, ordering transcripts, etc.) until the amount due is paid. Our review of the controls, policies, and procedures over NSF checks disclosed the following problems.

1) The College has not established policies and procedures over the collection of NSF checks. Since September 1997, the College has handled the collection of the NSF checks and related fees. Prior to that, collection was handled by an outside contractor.

The College should prepare written guidelines for the collection of NSF checks. These guidelines should include timely notification and follow-up procedures.

2) The College does not maintain a summary record listing the NSF checks and their disposition. During a review of the bank statements, we noted NSF checks of $189 (in May 1997) and $747 (in August 1997) which were charged against the College's bank account. However, the College was not able to provide information about the payees; whether the check amounts and $15 fees were collected; or whether a hold was placed on the students' accounts, if applicable.

All NSF checks and their disposition should be documented in a summary record to ensure such checks are collected, handled, and accounted for properly.

3) Prior to September 1997, NSF checks and the $15 fee were collected by a collection agency. Because the College did not maintain a summary record of NSF checks and because the collection agency did not identify the checks collected and paid the College monthly, the College cannot readily determine which checks were collected by the agency and the balance due the College.

In February 1998, the College received $3,757 from the agency for NSF checks sent to the agency prior to September 1997 and collected by the agency after September 1997. Because of the poor records, $1,582 of the payment has not been identified and applied to the appropriate students'

accounts. College personnel stated that they are still attempting to resolve this situation.

4) The College does not consistently assess and collect the $15 fee. During our review of NSF checks for 1997, we noted that the fee was not collected on one check written by a college employee or on three checks written by students. Two of the students were allowed to enroll even through a hold was placed on their student account. In addition, we noted one instance where the hold was removed because the NSF check amount was paid; however, the fee was not collected.

The College should ensure the $15 fee is assessed and collected. Students should not be allowed to enroll when such amounts due the college are outstanding.

E.1. The College makes numerous electronic transfers (by phone) from the various bank accounts to the general disbursement and payroll clearing accounts; however, an adequate record of the transfers between accounts is not maintained. Documentation for these transfers generally consists of notations on scraps of paper. In addition, it appears authorization for the transfers is generally verbal and given after the transfers are made. Also, as noted above, some transfers recorded on the general ledger did not agree with the amounts transferred between bank accounts.

2. In September 1997, the College transferred $100,000 into the payroll clearing account. According to College personnel, the $100,000 was to serve as a "cushion" to prevent overdrafts. However, this cushion according to the December 1997 bank reconciliations was $74,911. It appears this cushion was reduced because subsequent amounts which should have been transferred to the payroll clearing account according to payroll records were not the actual amounts transferred.

A record of transfers between bank accounts should be maintained and reconciled to the general ledger accounts and bank statements on a monthly basis. In addition, authorization for any transfers should be documented and given before the transfers are made. In addition, if the monthly transfers made to the payroll clearing account are made correctly, there should not be a need for the "cushion" which has been established.

WE RECOMMEND the College:

A. Seek competitive bids for its banking services on a periodic basis, and enter into a written agreement with its depositary bank.

B. Establish policies and procedures authorizing the type of investments which are appropriate and which ensure the College's funds are maintained in the highest yielding investments available.

C.1. Reduce the number of bank accounts maintained to as few as needed to efficiently account for the College's monies.

2. Prepare accurate and timely bank reconciliations. Complete documentation should be prepared to support conclusions, any necessary adjustments, and to facilitate an independent review. In addition, an adequate supervisory review of the bank reconciliations should be performed.

3. Require all receipts be deposited intact and discontinue the practice of cashing personal checks from daily receipts.

4. Require all checks and money orders be restrictively endorsed immediately upon receipt.

D.1. Establish written guidelines for the collection of NSF checks. These guidelines should include timely notification and follow-up procedures.

2. Establish a summary record which lists all NSF checks and documents their disposition.

3. Continue efforts to identify and apply the $1,582 to the proper student accounts.

4. Require the $15 NSF check fee be consistently assessed and collected. In addition, the College should ensure its policy for holds on student accounts is followed.

E. Establish a record of bank transfers and reconcile the record to the general ledger accounts and bank statements on a monthly basis. In addition, authorization for any bank transfers should be documented and be given before the transfers are made. Further, the College should ensure the monthly transfers made to the payroll clearing account are made correctly and reevaluate the need for the "cushion" which has been established.

AUDITEE'S RESPONSE

A. The College concurs with the Auditor's findings and recommendation. The College is in the process of developing specifications for the procurement of banking services.

B. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation. Policies and procedures relating to the investment of the College's funds were developed by the Vice President of Business and Financial Affairs and approved by the College's Board of Regents on August 20, 1998.

C. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation. In particular, as of June 30, 1998, the number of active bank accounts maintained by the College was reduced significantly. Additionally, the cashier's office is now fully staffed with employees trained in accounting procedures and policies.

D. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation. Guidelines for handling and processing NSF checks have been established and implemented by the College.

E. The College concurs with the Auditor's findings and recommendation. A written procedure for the electronic transfer of the College's funds has been established and implemented.

6. Employee Benefits

The College provides group health insurance coverage to employees, at no cost to the employee. Employees can choose to join a Health Maintenance Organization (HMO) or a Preferred Provider Organization (PPO). Employees are to pay the premium for family coverage through payroll deductions. In addition, the College provides group life, long term disability, and accidental death\dismemberment insurance, at no cost to the employee. Our review of these benefits disclosed the following concerns:

A. The College does not reconcile billing statements and eligibility lists from its medical insurance carriers to appropriate personnel and payroll records on a periodic basis. As a result, the following problems were noted:

1) The February 1998 HMO billing statement included eight employees who had previously terminated employment with the College. The statement also included one employee who moved to part-time status in September 1997, even though the College's policy is to provide health care benefits only to full-time employees.

   As we were reviewing this area, the Director of Human Resources reconciled the current HMO statement and eligibility list to personnel and payroll records and requested a credit for overpayments made to the HMO. As a result, in April 1998, the College received a credit of approximately $6,300 on its statement. This credit included adjustments back to July 1997 and it appears corrected the problems noted during our review.

2) We noted that in February 1998, an employee covered under the PPO plan was not properly charged $323 for the family portion coverage under the plan. Family coverage is to be paid by the employee and the premium amount is to be deducted from the employee's payroll check. The employee selected this coverage in January 1998; however, the College had not updated its payroll records to deduct this amount monthly from the employee's payroll check. As a result, the College inadvertently paid these premium costs. In addition, the February 1998 PPO billing statement also included an employee who was receiving HMO coverage. According to the employee's personnel file, the employee selected HMO coverage and should have been removed from the PPO coverage. As a result, the College incurred costs under both plans for this employee for a period of time. We also noted the College paid the premium for a part-time adjunct faculty employee. As noted above, College's policy is to provide health care benefits only for full-time employees.

By not reconciling the medical insurance carriers billing statements and/or eligibility list to its personnel and payroll records, the College has little assurance that it is paying the proper premium amounts, that employees are receiving the proper benefits, or that withholdings from an employee's wages are handled and accounted

for properly. The College should reconcile medical insurance billing statements to appropriate personnel and payroll records on a periodic basis, and ensure terminated employees are removed promptly from the system. In addition, the College should establish procedures and controls which ensure that insurance rates and employee deductions are the proper amount, that premiums are only paid to the provider selected by the employee, and that benefits are paid only for full-time employees.

B. As of April 1998, the College had not paid PPO premiums to the carrier since December 1997. In addition, the monthly billing statements for the HMO in 1998 included a balance due of approximately $40,000. When we inquired about this balance, College personnel determined that the April 1997 premiums had not been paid.

The College should ensure that medical insurance premiums are paid on a timely basis. Not doing so could jeopardize the insurance coverage being provided to employees and/or result in additional costs being assessed for late payment of the premiums.

C. In early 1997, before employees had selected their plan option, the wrong premium rate was quoted to employees for the employee and children option of the HMO plan. According to College officials, when this error was discovered the College initially decided to absorb the difference between the rate quoted the employees ($31 per month) and the rate which was paid to the carrier ($78 per month) for those employees who had selected this plan option. As a result of this situation, an additional $16,700 was paid from College funds to the HMO carrier for the employee and children plan for the period March 1997 to December 1997. These costs would have been paid by the employees had this been handled correctly.

To avoid similar mistakes in the future, the College should ensure adequate care is taken to ensure the costs of various health plan options are quoted correctly to employees. In addition, the College should not pay costs which are not the responsibility of the College.

D. The College provides group life, accidental death/dismemberment, and long-term disability insurance to its employees. Employees may also purchase additional supplemental life insurance. The College acts as the administrator for this plan. Our review of the College's handling of the insurance program disclosed the following concerns:

1) The College maintains a spreadsheet related to the employees' insurance basis, the type of benefits and rates, age of employee, etc. The spreadsheet is used to calculate the monthly insurance premium due the insurance carrier. We noted numerous errors in the spreadsheet which appeared to be formula errors. For example, the insurance basis for an employee (two and one-half times the employee's annual salary) was not always the correct amount. Also, the amounts noted for the employees' annual salaries and the supplemental insurance basis were not always correct. As a result, the College has little assurance the premium paid is the proper amount.

2) The March 1998 spreadsheet included a student worker and a terminated employee. In addition, two other employees were included twice. As a result, the College incurred additional premium costs which should not have been paid.

3) The payroll records did not include the proper deduction amount for four employees selecting supplemental insurance. As a result, the College, in effect, paid some premium costs which should have been paid by employees.

4) As of April 1998, the College had not paid the premiums related to this insurance program for February and March 1998. Premium payments are due to the insurance company on the first day of each month. As noted earlier, it is important that premiums be paid on a timely basis to ensure insurance coverage for the employees is not jeopardized and to avoid late assessments.

WE RECOMMEND the College:

A. Ensure medical insurance billing statements are reconciled to the appropriate personnel and payroll records on a periodic basis. In addition, the College should ensure that terminated employees are removed promptly from the system and its policy of providing benefits for only full-time employee is followed.

B. Ensure medical insurance premiums are paid on a timely basis.

C. Ensure the health insurance rates are quoted correctly to employees and, in the future, refrain from paying the cost of benefits that should be paid by the employees.

D. Establish policies and procedures to ensure the insurance plan is administered properly. This would include ensuring the premiums are paid on a timely basis and are the correct amount.

AUDITEE'S RESPONSE

A-D. The College concurs with the Auditor's findings and has implemented the Auditor's recommendations.

7. Accounts Receivable

The College has established various accounts receivable including accounts related to payroll advances made to employees, emergency loans made to students, and student accounts for tuition and fees. Our review of these accounts receivable noted the following concerns:

A. The College provides short-term emergency loans to students. Such loans, are not to exceed $75 and are to be repaid within thirty days. These funds are provided by the College and private donors. The balance of outstanding emergency loans at February 28, 1998, totaled approximately $6,300.

Many of these loans have been outstanding for a significant period of time, with some of these loans dating back to 1995. According to accounting personnel, the College has not established any procedures (such as sending statements to the students) to collect past due accounts. Instead, a hold is placed on the student account, which is intended to prevent the student from receiving any further services from the College (such as receiving a transcript or registering for classes) until the loan is repaid. However, even with a hold, a student may enroll in classes with special permission. We also noted seventeen loans, totaling $2,387, which were for more than $75. In addition, several students received an additional loan when they already had an outstanding loan.

The College should establish procedures for the collection of emergency loans. In addition, students should not receive emergency loans in excess of the established limit or receive an additional loan if a previous loan has not been repaid. The emergency loan program should be administered in accordance with established policies and effectively managed to safeguard the College from possible loss of funds or prevent College funds from being committed for an extended period of time.

B. The balance of the subsidiary ledger for student emergency loans does not agree with the general ledger amount. The College has not recorded general ledger journal entries recommended by its independent auditors for the year ended June 30, 1997, and does not reconcile the subsidiary ledger to the general ledger on a monthly basis.

In addition, the balance of the subsidiary ledger for student accounts receivable (outstanding tuition and fees) was $406,868 at March 31, 1998. However, the general ledger account balance was $330,837 at that date. According to accounting personnel, a reconciliation between the subsidiary ledger and the general ledger is not performed because there are errors in the general ledger which have been carried forward from period to period, and because the College has not recorded general ledger journal entries recommended by its auditors for the year ended June 30, 1997. A monthly reconciliation between the subsidiary ledgers and the general ledger accounts would detect errors or irregularities on a timely basis.

C. The College allows employees to request payroll cash advances for the purpose of assisting them when facing unusual or unexpected financial obligations. Two payroll advances may be obtained by an employee during any fiscal year and the advances are available on or after the sixth working day of the month. The payroll advance is limited to 25 percent of the prior month's net payroll amount. Reimbursement of an advance is made through a payroll deduction or a post-dated check.

Such payroll advances decrease the control over expenditures and increase the paperwork for the accounting office. For example, an employee who is normally paid through the state payroll system must be moved to the local payroll system from the state system when a payroll deduction is made for a payroll advance. Then, the next month, the employee must be reentered on the state system. The College should reevaluate this policy of allowing payroll advances.

WE RECOMMEND the College:

A. Establish collection procedures for student emergency loans and enforce the policy of limiting loans to $75.

B. Perform a monthly reconciliation between the subsidiary ledgers and the general ledger for the emergency loans and the student accounts receivable. In addition, adjusting journal entries should be posted on a timely basis.

C. Reevaluate the policy of allowing payroll advances to employees.

AUDITEE'S RESPONSE

A. Only those students who have made satisfactory arrangements for repayment of past due emergency loans are allowed to register for and remain enrolled in classes. In addition, in November 1998, the College revised its written policy and procedure to more effectively prevent students with past due balances from registering for classes.

B. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation. As of July 1998, the subsidiary and general ledgers are reconciled on a monthly basis.

C. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation. The policy allowing employees to obtain a limited number of cash advances was repealed by the College's Board of Regents on September 23, 1998.

8. Accounting System and Controls

The College has developed an accounting system and procedures to enable it to process revenue and expenditure transactions. A review of the accounting system and related procedures disclosed the following areas of concern:

A. The accounting department has experienced a high turnover in personnel in the last several years. Supervisors and staff in the accounts payable, accounts receivable/cashier, and payroll sections have been moved to new positions or assigned additional responsibilities because of the turnover. During our review, we noted that some employees did not appear to always understand their duties/responsibilities. According to accounting personnel, they receive little supervised on-the-job training after accepting new positions or duties. In addition, there is no accounting manual that provides guidance about policies, procedures, controls, or documentation.

Employees need written policies and procedures to ensure operations are conducted in accordance with management's intent and applicable legal provisions, and to assist employees in properly performing their assigned responsibilities. In addition, employees should receive adequate training and supervision to ensure they understand their duties/responsibilities.

B. The College's accounting system is computerized and the software modules include the general ledger, report writer, accounts receivable, accounts payable, and payroll/personnel. The security software package controls who can access the

accounting system. During our review of computer security, we noted the following concerns.

1) It appears access to the various functions within the modules is not adequately limited. In addition to two software support personnel, the supervisors for accounts receivable, payroll, and accounts payable, a payroll clerk, the Director of Human Resources, and the Vice President for Business and Financial Affairs can access all modules. Eight other employees have access to all modules except for payroll/personnel. As a result, some employees have access to functions which they do not need to perform their duties.

   By not adequately restricting access to various functions within the modules, the risk of unauthorized use or modification of the data is increased.

2) The College has not revoked access to the accounting system on a timely basis when an employee terminates employment. At our request, College personnel provided a list of employees who still could access the accounting system. Four former employees were included on the list. When an employee terminates employment, that individual's access to the accounting system should be revoked promptly.

C. Full-time employees whose salaries are funded by various grants, employees who receive overtime pay, and employees who receive supplemental pay for additional duties are paid through the local payroll system. In addition, all part-time employees and student workers are paid through the local payroll system. An employee receives an identification number for the type of pay from the local payroll system.

   As a result of this situation, an employee may have more than one identification number. For example, an employee may have three identification numbers; one for pay from grant funds, one for overtime pay, and one for supplemental pay for additional duties. We noted that for 1997, approximately thirty-five employees received more than one Form W-2 from the local payroll system. This is because the Forms W-2 are generated based on the employee's identification number, rather than the employee's social security number.

   Better control over payroll expenditures would be achieved by issuing Forms W-2 based on the employees' social security numbers. This could also possibly reduce the administrative time required to process these forms.

D. The College issues Forms 1099 MISC to vendors who receive payments of $600 or more in the aggregate during a calendar year in accordance with federal tax requirements. These forms are to be issued to the vendor by January 31. During our review of the 1997 Forms 1099 MISC, we noted various errors. For example, we noted a Form 1099 MISC was not issued to a vendor who received over $600, some amounts on the Forms 1099 MISC did not agree to the College's expenditure records, and some social security numbers were not correct on the Forms 1099 MISC. When we brought these matters to the attention of College personnel, the College issued corrected 1997 Forms 1099 MISC to the applicable vendors/individuals.

The College should establish procedures to ensure the Forms 1099 MISC are issued in all applicable instances and include accurate information.

E. The College has developed a very detailed, descriptive expenditure coding system. For example, phone costs can be broken down into several different categories including local service, internal system service, long distance service, leased phones, telephone maintenance/repair, telephone purchase, cellular/wireless phone, and voice mail. This coding system, if properly used, would provide an excellent basis for monitoring expenditures.

However, during our review of expenditures we noted many expenditures were coded incorrectly. For example, the College did not always appropriately split the costs of meals and membership dues for the St. Louis Club and the Missouri Athletic Club. Sometimes, the entire month's bill was charged to meals and other times the entire month's bill was charged to membership dues. In addition, food provided by the College's food service vendor was sometimes charged to meals and other times to catering. Many items were coded to a category called "Other Public Relation Costs" or "Miscellaneous Professional Services", rather than using a code which would be more descriptive of the expenditure.

Properly coding expenditures enables the College to better monitor how funds are spent. Such information could assist College personnel in making budgeting decisions and allocating resources.

F.1. The College uses an automated invoice processing system to process bills paid by the College. To receive payment, vendors must be entered in the system with a vendor number. According to personnel, only employees in the Purchasing and Accounts Payable department actually add vendors; however, all personnel with access to the accounting software package (approximately sixteen employees) have the capability to add vendors to the system.

This capability could allow unauthorized payments to be processed. Greater controls should be established to ensure only authentic vendors are entered on the payment system. Ways to enhance controls would be to reduce the number of employees with the computer capability to add vendor records, and initiate a supervisory review of newly established vendor numbers.

2. Our review of the vendor list disclosed numerous duplicate vendor names, each with a separate vendor number. Many times the duplicate entry was due to a slight difference in spelling such as "St. Louis" vs "Saint Louis". The current software package will not permit the removal of vendors, except by purging them from the file. According to personnel, the College has never purged the vendor file.

Deleting duplicate vendor names and inactive vendors would give the College better control over vendor information and would result in a more efficient operation.

G. Numerous College personnel can add account numbers to the College's computerized Chart of Accounts. These new account numbers are not always approved by the

appropriate management employees. According to College personnel, the account number, especially the expenditure code, is not always consistent from fund to fund.

Greater controls should be established to ensure only properly approved account numbers are added to the Chart of Account. Ways to enhance controls would be to reduce the number of employees with the computer capability to add accounts, and initiate a supervisory review and approval of newly established accounts.

WE RECOMMEND the College:

A. Develop a policies and procedures manual for the accounting system. In addition, the College should take steps to ensure the accounting staff is properly trained and supervised.

B. Take steps to restrict access to the various functions within the accounting modules to only those personnel who need access to perform their duties. In addition, the College should promptly revoke access by terminated employees to the accounting system modules.

C. Consider preparing Forms W-2 based on social security number rather than employee identification number.

D. Establish procedures to ensure Forms 1099 MISC are issued in all applicable instances and include complete and accurate information.

E. Instruct accounting personnel on proper coding procedures to ensure expenditures are classified appropriately.

F.1. Evaluate the controls over vendor records and consider reducing the number of people with access to these computer records. In addition, newly established vendor numbers should be reviewed periodically by someone in a supervisory position.

2. Purge the vendor file of duplicate and inactive vendors on a periodic basis.

G. Evaluate the controls over the Chart of Accounts and consider reducing the number of people with the ability to add new accounts. Newly established accounts should be approved by someone in a supervisory position and be consistent from fund to fund.

AUDITEE'S RESPONSE

A&D. The College concurs with the Auditor's findings and has implemented the Auditor's recommendations.

B. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation within the limitations of the College's current accounting software package.

C. While the College concurs generally with the Auditor's findings, issuing more than one Form W-2 to an employee who works overtime or is compensated from various sources is

sometimes the only effective manner of ensuring that the employee's wages are accurately and properly reported to the Internal Revenue Service, Missouri's Department of Revenue, and the city of St. Louis Collector of Revenue.

E. The College concurs with the Auditor's findings and has implemented the Auditor's recommendation. Moreover, training, clarifications, and guidance on various subjects are provided on a continuous basis both in-house and by the state Office of Administration.

F. While the College concurs with the Auditor's findings, many of the problems noted are due to the limitations of the College's existing accounting software package. However, the College has <u>never</u> had an unauthorized vendor added to the vendor file.

G. While the College concurs with the Auditor's findings, many of the problems noted are due to the limitations of the College's existing accounting software package, which does not provide for limited access to certain accounting functions. However, internal controls have been established to prevent the addition, either inadvertently or deliberately, of any unauthorized vendor. An updated version of the College's current accounting software package has been obtained and is being installed. The College is reviewing the availability of improved accounting software packages and has committed to acquisition of a new software package in 2001.

9. Payroll and Personnel Matters

Personal service costs represent the College's single largest expenditure category. These costs (salaries and fringe benefits) totaled over $8,500,000 for the year ended June 30, 1997. Our review of the College's payroll records and personnel policies and procedures disclosed the following concerns:

A. The College has not established written job descriptions for its academic and non-academic positions. Written job descriptions are necessary to document the duties, responsibilities, and qualifications for each position, and help ensure that qualified people fill the positions. Written job descriptions could also help the College identify duplicate and overlapping duties and non-essential positions, as well as providing a basis in which to evaluate employee job performance.

B. The College has not established pay grade and/or salary range schedules to determine salaries for its academic and non-academic employees. The lack of an established pay and/or salary range may lead to confusion and assertions of inequity and preferential treatment among College staff.

Each position should be graded as to pay and/or salary range to ensure individuals are fairly compensated, commensurate with their job responsibilities and experience, and to ensure limited financial resources are allocated in the most efficient and effective manner.

C. Complete personnel information for individual employees was not always maintained. Missing information included employment applications, authorizations of initial employment salary rates and salary increases, withholding authorization forms, and employee performance appraisals.

Complete personnel information related to individual employees should be maintained to help ensure payroll expenditures and deductions are handled and accounted for properly.

D. The Human Resources Office is responsible for maintaining the College's employee leave records. A review of the records noted the following exceptions:

1) We noted a number of errors during our review, which appear to be caused by employee mistakes. For example, vacation accrual rates were not always adjusted for the employee's length of service. Some leave taken was not recorded at the correct amount on the computerized leave record. We also noted an instance when accrued unused sick leave at termination was not reported to the state properly. In addition, leave recorded on the leave slips did not always agree to the leave recorded on the employees' time sheets. We also noted that an explanation was not always provided for leave marked as "other". As a result, some leave balances did not appear to be correctly stated.

2) Documentation for compensatory time earned is maintained by various college offices, instead of being centralized in the Human Resources Office. As a result, documentation to support compensatory time earned was handled inconsistently and was not always adequate to document that the compensatory time was actually earned.

The College should ensure that employees receive adequate training to help ensure the leave accumulation system is maintained accurately. In addition, the documentation for compensatory time earned should be centralized within the Human Resources Office.

E. During our review of terminated employees, we noted the following concerns:

1) We noted an employee was underpaid $648 upon termination in November 1996. This error occurred because the College only paid the employee for unused vacation time, and not for the days worked up to the date of termination. After we brought the situation to the attention of College personnel, the College issued a check for $648 to the former employee in May 1998.

2) We noted the termination date of former employees as recorded in the College's payroll system was not always correct. It appears this problem was caused because 1) the payroll system was not always updated when an employee terminates employment or 2) the proper termination forms were not filed in the individual's personnel file.

In 1998, the Director of Human Resources "cleaned up" personnel files and recorded the date the file was cleaned up as the termination date.

3) Three personnel files reviewed did not contain an employment contract and/or a payroll authorization form to document the approved salary at the date of termination. In addition, two personnel files did not contain the final check computation form. As a result, it was not possible to determine if the final payment made to these employees was proper in these instances.

4) Sometimes the final check computation form was initially prepared and then verified/approved by the same individual. We also observed one instance where the terminating employee completed her own final check computation form, and the form was not verified/approved by a second individual.

5) The College requested the resignation of two employees, for cause in December 1995. However, these employees subsequently received severance pay, totaling $7,751 and $1,694. These employees also filed for unemployment benefits, which the College did not contest.

College policy provides that an employee can be suspended or dismissed, without prior written notice, for serious offenses. It does not appear to be a prudent use of public funds to pay severance pay or unemployment benefits to employees who are terminated for cause or who have left employment with the College under unfavorable circumstances.

The lack of proper termination and salary authorization could lead to errors in employee payments. The College should ensure the final check computation form is properly computed, verified, and filed in the employee's personnel file, and supported by adequate documentation. In addition, the computerized payroll files should be updated promptly. Further, the College should consider the appropriateness of paying severance pay or not contesting unemployment benefits for employees who are terminated for cause or left employment with the College under unfavorable circumstances.

F. College policy requires that a performance appraisal be completed for each employee once a year. Nine of twenty-four personnel files reviewed did not contain a current performance appraisal.

The College should ensure employee performance appraisals are prepared in accordance with established policy. Performance appraisals can lead to improvement of performance and be used to evaluate employees for salary increases, promotion, and other personnel action.

G. The College's outside employment policy allows employees to engage in other employment or consulting provided that such work does not interfere with the employee's work at the College. Employees who engage in outside employment or consulting must complete a "Secondary Employment Information Form," have it approved by that individual's supervisor, and file the form with the Human Resource Office within thirty days of the start of the other employment. Secondary employment forms are filed in the employee's personnel file.

During our review of this area, we noted one employee also taught six hours at a local community college, but a secondary employment form was not in that

individual's personnel file. Upon further investigation, we determined that the employment contracts with the academic staff provide that only if an employee engages in other employment of twelve or more hours per week is the employee required to obtain written permission before entering into the outside employment.

It appears the College's outside employment policy and employment contracts with the academic staff are in conflict with each other. The College needs to clarify its policy regarding outside employment for at least those employees on the academic staff.

H. The College has developed numerous policies and procedures to guide faculty and staff in the performance of their duties. It appears that changes to the policies and procedures are not updated on a timely basis and are not distributed to all employees.

The Faculty Personnel Policies and Procedures Manual and the Non-Instructional Staff Personnel Policies and Procedures Manual were last updated in 1991 and 1995, respectively. The Board has updated some of the policies in these handbooks in the last several years.

Maintaining complete policy manuals is important to ensure accurate information is available to employees in an easily accessible form. Manuals should be updated on a timely basis and revisions promptly distributed to all employees.

WE RECOMMEND the College:

A. Develop written job descriptions for all positions which includes duties, responsibilities, and qualifications.

B. Consider adopting a pay salary range schedule for both the academic and non-academic staff.

C. Ensure complete personnel information is maintained for all employees.

D. Establish training for employees to reduce the errors made in the leave system. In addition, the College should ensure documentation to support compensatory time earned is filed in the Human Resources Office.

E. Establish checks and balances to ensure the final payment to terminated employees is proper and supported by adequate documentation. In addition, the College should consider the appropriateness of paying severance pay or not contesting unemployment benefits for employees terminated for cause or who have left employment with the College under unfavorable circumstances.

F. Ensure employees are evaluated annually in accordance with College policy.

G. Review and revise its outside employment policy, as necessary and ensure it is consistent with the provisions of any employment contracts.

H. Ensure personnel policies are updated on a timely basis with revisions distributed to all employees.

AUDITEE'S RESPONSE

A. The College concurs with the Auditor's findings and recommendation. The College's experienced Director of Human Resources, hired in January 1998, has been charged with the task of developing job descriptions for both academic and non-academic positions.

B. The College concurs with the Auditor's findings and recommendation, to the extent appropriate for institutions of higher education. The College's Director of Human Resources has been charged with the task of developing pay grades and/or salary ranges appropriate to colleges and universities and consistent with the College's governance policies.

C-F. & H. The College concurs with the Auditor's findings and is in the process of implementing the Auditor's recommendations.

G. The College concurs with the Auditor's findings and recommendation. The College's current policy regarding secondary employment is currently under review by the College's administration.

10. Food Service Contract

The College has used the services of three different cafeteria food service providers in the last several years. Our review of this situation disclosed following concerns:

A. The contract for the food service provider in 1996 required the College to reimburse the provider for all costs of operation not covered by sales. In addition, the College was required to pay a fee of $500 per month. In any month in which sales exceeded all expenses plus the $500 fee, the excess amount was to be returned to the College. We reviewed a $10,000 payment to this provider. The invoice appeared to be for several months' losses plus the monthly fee. There was no supporting documentation from the provider substantiating the losses. It appears the College paid the provider pending review and verification of the provider's expenses; however, College personnel could not provide us any documentation to indicate that a subsequent verification of the operating losses was performed.

B. A second provider handled the food service activity from February to December 1997. The contract included a provision that if the providers' gross sales did not exceed $16,000 for a given month, the College would reimburse the provider 75 cents for each dollar of shortfall, up to a maximum of $600. The provider was to furnish the College its operating statements, an accounting of all sales and a copy of sales tax receipts (filed with state). We reviewed two subsidy payments of $600, and noted the provider did not furnish monthly operating statements and copies of its sales tax reports to support these requests for reimbursement. However, the College paid the amounts requested.

The College terminated its contract with this provider in December 1997 because of unsanitary conditions.

C. Since January 1998, the College has contracted for food service on a month-to-month basis until the service can be rebid. The current agreement provides the College will pay the provider $600 per month when sales are less than $10,000, and the provider will pay the College two and one-half percent of all monthly sales greater than $10,000. According to College personnel, as of April 1998, the College had not received adequate financial information from this provider. At that time, the College had not made any payments nor had the provider paid any monies to the College.

The College needs to improve its oversight and control over the food service operations. The College should ensure its food service provider complies with the provisions of any agreement entered into and ensure it receives adequate financial information related to the provider's profit or loss on operations. Such information should be reviewed on a timely basis and subsidy payments should not be made unless there is sufficient supporting documentation.

WE RECOMMEND the College improve its control and oversight over the food service operations and ensure any food service provider is required to comply with all contractual provisions. This would include furnishing adequate financial information regarding the profit or loss on operations and making required payments to the College, as applicable. Any financial information received should be reviewed on a timely basis and any subsidy payments should not be made unless there is sufficient supporting documentation.

AUDITEE'S RESPONSE

A-C. The College concurs with the Auditor's findings and is in the process of implementing the Auditor's recommendation.

11. Cellular Phones

For the period July 1, 1997 to December 31, 1997, and for the year ended June 30, 1997, the College expended approximately $7,700 and $13,500, respectively, for cellular phone usage. The College has a separate contract for each of its nine cellular phones. The monthly fee for four of the phones is $145, which includes 500 peak and unlimited off- peak minutes. The monthly fee for the other five phones ranges from $20 to $33 per month. During our review of cellular phone usage, we noted the following concerns:

A. The College has not developed a formal written policy regarding cellular phone usage.

B. Six of fifteen (40 percent) cellular phone bills reviewed were not supported by adequate documentation. Two of the bills only included a remittance slip to support the payment. The other four bills did not include a detail list of the calls made.

C. The College allows the cellular phones to be used for personal business; however, any additional costs related to this usage is to be reimbursed to the College. A review of this situation disclosed the following concerns:

1) Except for the President's bills, there was no indication the bills were reviewed by the individual assigned the phone (to identify personal calls) or reviewed and approved by that employee's supervisor.

   We noted several bills included numerous calls to the applicable employee's home phone number. In several instances, over fifty calls were made to the home phone number in a one month period. Calls were also made on weekends and outside the employee's regular work schedule, with some calls made after midnight. While some of these calls may have been for College business, there was no documentation maintained to support this usage.

2) According to College personnel, the reimbursement of personal calls on cellular phones is handled by secretaries in the various vice president's offices. The individual who used the phone is to indicate which calls are personal and the secretary calculates the amount due the College. The individual then pays the reimbursement amount at the Cashier's Office.

   During our review, a receipt could not be located in the Cashier's office to support a reimbursement in four instances where we were told a reimbursement had been made. In addition, since a detail billing was not available for some bills, we could not determine if reimbursement for any personal calls was made in these instances.

Considering the personal usage of cellular phones does not provide any clear benefit to the College, consideration should be given to prohibiting such use, except in cases of emergency.

D. One phone package provided for 500 free minutes of usage during peak hours. However, we noted charges for this phone routinely exceeded the 500 minutes of free usage during peak hours by a significant amount. Additional peak minutes charged to this phone ranged from 533 to 1,173 minutes per month during four months reviewed, with the additional costs averaging approximately $200 per month.

   The amount of billed peak usage was sometimes more than the monthly fee. If this amount of usage is necessary, the College should consider obtaining a more efficient contract for this individual.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy is needed regarding cellular phones. Such a policy should address which employees need a cellular phone, proper use of the phone, and a review and authorization process. In this policy, the College should consider prohibiting the personal use of the cellular phones, except in cases of emergency. In addition, proper internal controls require that expenditures are reviewed and authorized before payment.

WE RECOMMEND the College develop a formal written policy regarding the use of cellular phones, including a provision prohibiting their use for personal reasons. In addition, phone bills should be reviewed and authorized before payment.

AUDITEE'S RESPONSE

A. The College concurs with the Auditor's findings and is in the process of implementing the Auditor's recommendation. It should be noted that the College's actual expenditures for cellular telephones is modest.

B. The College concurs with the Auditor's findings and is in the process of implementing the Auditor's recommendation.

C. The College does not allow cellular telephones to be used for personal business.

D. Note: The College did not provide a separate response for this item.

12. Fixed Assets

A. Our review of the College's fixed asset records and related procedures noted the following exceptions:

1) Except for the computer equipment and other fixed assets of the Management Information System (MIS) department, a physical inventory of the general fixed assets of the College has not been performed since 1992. Annual physical inventories are necessary to ensure the accuracy of fixed asset records and to detect the loss, theft, or misuse of assets.

2) The College maintains its detailed fixed asset records in a computer database and obtains the fixed asset additions and deletions from the database to adjust the applicable general ledger accounts and prepare its financial statements. However, the College does not reconcile the total of the detailed information in the data base to its general ledger fixed asset accounts.

   The College should reconcile the fixed asset database to the general ledger fixed asset accounts on a periodic basis to help ensure the general ledger accounts are properly stated.

3) Fixed assets acquired through lease-purchase arrangements are not tagged and recorded in the fixed asset database. According to College personnel, the College is in the process of identifying these fixed assets so they can be tagged and recorded in the property records.

4) During our review, we noted that various items were not properly tagged as property of the College. These included donated furniture valued at approximately $18,000 which was received in September 1997, but not tagged and added to inventory when received. In addition, we noted an instance where the tag number on an item did not agree to the number in the

inventory records and an instance where a piece of equipment was tagged but not included on the inventory records.

Fixed assets represent a significant investment of College funds and should be adequately safeguarded from loss or theft. Fixed asset records provide information needed by the College for financial reporting and control purposes. Failure to maintain accurate fixed asset records or to properly account for fixed assets items increases the likelihood that assets may be lost, stolen or incorrectly valued.

B. The College allows employees to "check out" various items of equipment for use at their homes. To do this, the applicable employees must complete a check out form, which then must be approved by a supervisor. It appears most of the items checked out represent computer equipment.

During our review, we noted twenty-three laptop computers and eight desk top computers were checked out. Three employees had checked out both a laptop computer and a desk top computer. It appears most of the equipment has been checked out for at least two years, with some instances noted where the check-out dates back to 1994.

The College should periodically review the equipment items checked out. For those items which have been checked out for an extended period of time, the College should ensure there is still a valid reason for the item to be used in this manner.

WE RECOMMEND the College:

A.1. Conduct a physical inventory of all fixed assets on an annual basis and reconcile the results of the inventory to the detailed property records.

2. Reconcile the fixed assets database to the applicable general ledger accounts on a periodic basis.

3&4. Ensure all fixed assets are properly tagged and recorded on the detailed property records, including all fixed assets acquired through a lease-purchase agreement.

B. Review the equipment items currently checked out and for those that have been checked out for an extended period of time, ensure there is still a valid reason for these College assets to be used in this manner.

AUDITEE'S RESPONSE

A. The College concurs with the Auditor's findings and is in the process of implementing the Auditor's recommendation. In addition, a physical inventory was conducted and reconciled on all fixed assets for the period ending June 30, 1998.

B. The College concurs with the Auditor's findings and is in the process of implementing the Auditor's recommendation. As further explanation, it should be noted that the College's computer professionals are on call since the College does not have a multi-shift staff. These employees are, therefore, required to keep a laptop computer with them for remote access.

In a few cases, the volume of work done at home by employees who work in excess of 40 hours per week is supported by a desktop computer. In addition, a number of laptop computers were provided by grant funds specifically to be checked out and used on a rotating period by faculty members working on research or other special projects. The Vice President for Institutional Support and Enrollment Management reviews all checkout forms to ensure that current needs are being served. Annually, this Vice President reviews, for inventory purposes, all equipment that has been checked out.

This report is intended for the information of the management of Harris-Stowe State College and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and Statistical Information

HARRIS-STOWE STATE COLLEGE
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Harris-Stowe State College, located in St. Louis, Missouri, traces its origin back to 1857, when it was founded by the St. Louis Public Schools as a normal school. This school was the first public teacher education institution west of the Mississippi River and the twelfth such institution in the United States. This normal school was established for white students only, and the school was later named Harris Teachers College in honor of William Torrey Harris who had been a Superintendent of Instruction in the St. Louis Public Schools and also a United States Commissioner of Education.

A second predecessor institution was established in 1890 as a normal school for future black teachers of elementary schools in the city of St. Louis and was an extension of Sumner High School. In 1929, its name was changed to Stowe Teachers College, in honor of the abolitionist and novelist, Harriet Beecher Stowe.

These two teacher education institutions were merged by the Board of Education of the St. Louis Public Schools in 1954, as the first of several steps to integrate the public schools of St. Louis. In 1979, the General Assembly of the State of Missouri enacted a bill under which Harris-Stowe State College became a member of the State system of public higher education. The College offered three separate teacher education majors; early childhood education, elementary school education, and middle school/junior high school education. In 1981, the College received approval for a new degree program, a Bachelor of Science in Urban Education.

In 1993, the State authorized the College to expand its mission to address unmet needs of metropolitan St. Louis in various applied professional disciplines. The College developed two new baccalaureate degree programs: (1) Business Administration with professional options in Accounting, Management Information Systems, General Business, and Marketing, and (2) Secondary Teacher Education with subject-matter options in Biology, English, Mathematics, and Social Studies. The College is currently developing new baccalaureate programs in other professional areas, including Criminal Justice and Management of Health and Medical Services.

In November 1996, the city of St. Louis transferred title to approximately eighteen acres of the former Laclede Town site to the College. On this property, the College plans a $30 million expansion of its campus with the construction of six new buildings. Currently, a new library/classroom and technology resource center is under construction, with a completion date scheduled in the fall of 1998.

In the fall of 1997 and 1996, the College's full-time equivalent student enrollment was 1,103 and 1,095, respectively.

Harris-Stowe State College is governed by a six-member Board of Regents appointed by the Governor and confirmed by the Senate. Regents are appointed to six-year terms. A student member, with non-voting privileges, also serves on the Board.

The Board of Regents as of December 31, 1997, consisted of the following members:

Name	Position	Term Ends
Wayman F. Smith III	Chairperson	July 28, 2000
William G. Gillespie	Member	July 28, 1998
Charlene L. Jones	Member	July 28, 1996 *
John W. Siscel	Member	July 28, 2000
Carol B. Walker	Member	August 28, 2002
Donald L. Wolff	Member	July 28, 1998
Andre' L. May	Student Representative	January 1, 2000

* This regent will serve on the board until replaced by the Governor.

The Board of Regents appoints a President to serve as the College's Chief Executive Officer. Three Vice Presidents have been appointed to oversee Academic and Student Affairs, Business and Financial Affairs, and Institutional Support and Enrollment Management. The following schedule lists the annual compensation reported for the College officials and administrative staff as of December 31, 1997:

Name	Position	Base Salary	
Henry Givens, Jr.	President	$ 135,000	(1)
Patricia Nichols	Vice President of Academic and Student Affairs	91,011	
Rochelle Tilghman	Interim Vice President of Business and Financial Affairs	70,000	(2)
James Gorham, Jr.	Vice President of Institutional Support and Enrollment Management	91,011	
Vacant	Comptroller	N/A	

(1) In addition to the base salary, the President's contract provides for the President to be paid $45,000 a year for an annuity and $45,000 a year for a housing allowance. The College also provides the President an automobile, life insurance, family medical coverage, and long-term care coverage.

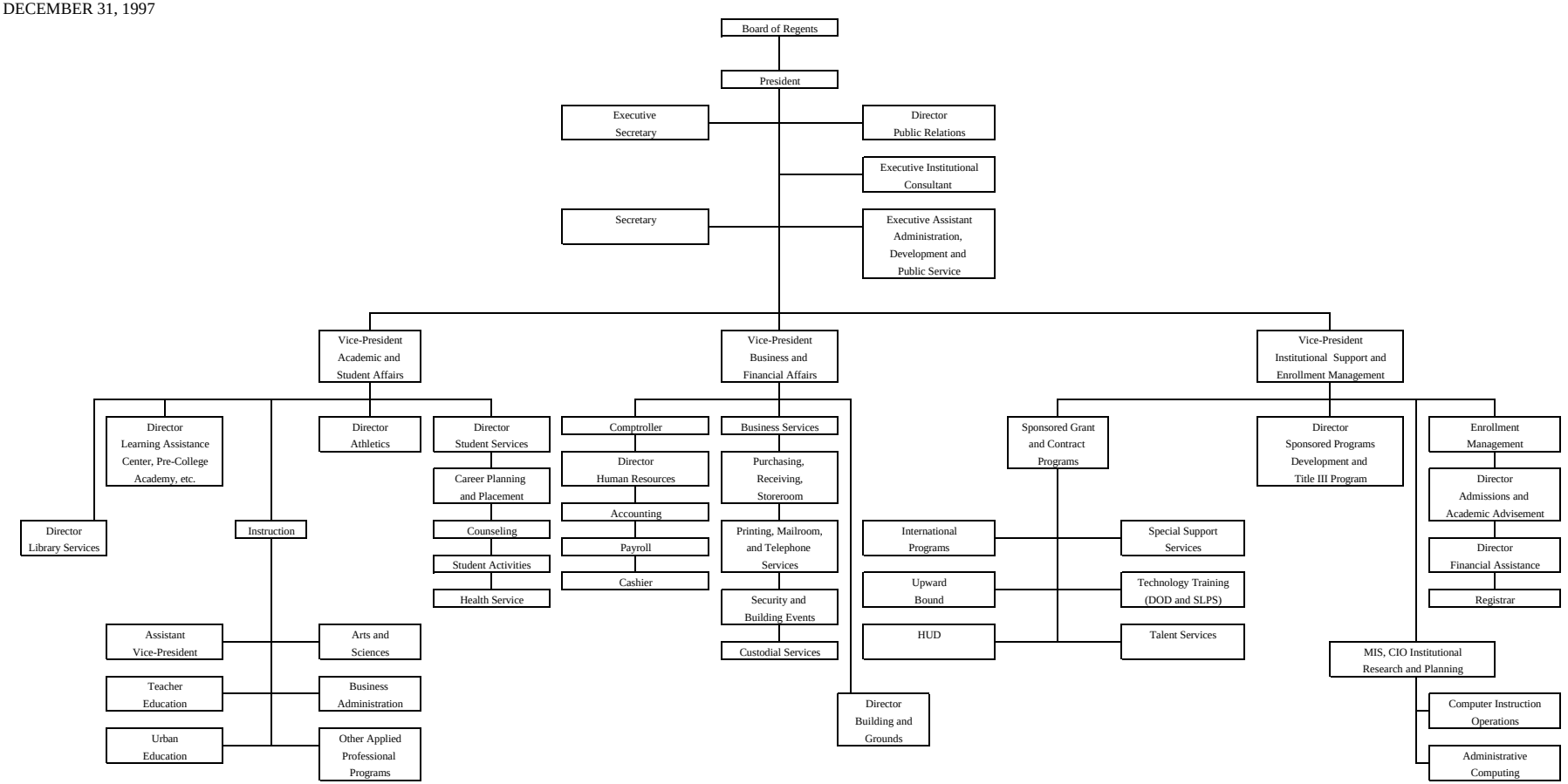
(2) Rochelle Tilghman was appointed interim Vice President of Business and Financial Affairs in July 1997. Prior to July 1997, she served as Comptroller at an annual salary of $54,900. She was appointed Vice President of Business and Financial Affairs in April 1998, at an annual salary of $80,000. The position of Comptroller has been vacant since July 1997.

In addition, to the appointed officials noted above, the College contracts with George Hyram to serve as the College's Executive Institutional Consultant. On the President's instructions, Dr. Hyram reviews various administrative, academic, student services, and business operations of the College and offers advice and suggestions. His current contract provides for a maximum of seventy-six hours of service per month, at a cost of $3,618 per month.

Also, in August 1997, the College contracted with McKinley Jones and Associates, Certified Public Accountants, to provide comptroller services for the period of one year. The contract provides that a partner in the firm, Quintin Davis, will be at the College for a minimum of thirty to thirty-five hours per week, at a cost of $29 per hour.

An organization chart follows.

SPECIAL REVIEW OF HARRIS-STOWE STATE COLLEGE
ORGNIZATION CHART
DECEMBER 31, 1997



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TWENTY-EIGHTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1997 AND 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-32
May 4, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following audit report presents our findings and recommendations for the municipal divisions of the Twenty-Eighth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of El Dorado Springs	*page 20*
City of Greenfield	*pages 20-21*
City of Lamar	*pages 21-22*
City of Stockton	*pages 23-25*

We had no findings or recommendations for the municipal divisions of the **City of Liberal,** the **City of Lockwood,** and the **City of Nevada**.

The City of Sheldon's municipal division was reported on separately.

Actions taken by the various municipal divisions of the Twenty-Eighth Judicial Circuit on recommendations made in the prior report are noted on pages 26-32.

YELLOW SHEET

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENT

Presiding Judge
and
Municipal Judges
Twenty-Eighth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions of the Twenty-Eighth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998 and 1997; and June 30, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four and five, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-Eighth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Internal controls and accounting records of the city of Stockton Municipal Division were inadequate. Receipt slips were not issued for some bond monies received. In addition, records accounting for the numerical sequence and ultimate disposition of each complaint form issued by the police department were not maintained properly. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended September 30, 1998 and 1997.

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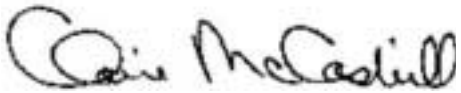
Internal controls and accounting records of the city of Greenfield Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each ticket issued by the police department were not maintained properly. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Governmental Accounting Standards Board Technical Bulletin 99-1, Disclosures about Year 2000 Issues--*an amendment of Technical Bulletin 98-1*, requires disclosure of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. The various municipal divisions of the Twenty-Eighth Judicial Circuit have omitted such disclosures. We do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal divisions do business will become year 2000-compliant.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding three paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-Eighth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998 and 1997; and June 30, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 19, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

January 19, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Twenty-Eighth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions of the Twenty-Eighth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998 and 1997; and June 30, 1998 and 1997, and have issued our report thereon dated January 19, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Twenty-Eighth Judicial Circuit for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Twenty-Eighth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Twenty-Eighth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for

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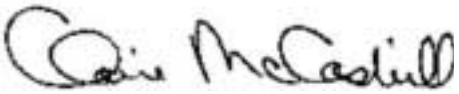
the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Twenty-Eighth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

January 19, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Liberal Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, and other	$ 279	332
Total Receipts	279	332
DISBURSEMENTS		
City treasury	279	332
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	279	332
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JANUARY 1	0	0
CASH, DECEMBER 31	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Nevada Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 155,778	122,596
Total Receipts	155,778	122,596
DISBURSEMENTS		
City treasury	120,552	92,564
State of Missouri	11,128	8,785
Refunds and other	28,063	18,006
Total Disbursements	159,743	119,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,965	3,241
CASH, JANUARY 1	5,821	2,580
CASH, DECEMBER 31	$ 1,856	5,821

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of El Dorado Springs Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 71,601	62,215
Total Receipts	71,601	62,215
DISBURSEMENTS		
City treasury	47,031	49,531
State of Missouri (Note 3)	0	0
Refunds and other	23,782	13,069
Total Disbursements	70,813	62,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	788	-385
CASH, OCTOBER 1	416	801
CASH, SEPTEMBER 30	$ 1,204	416

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Stockton Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 11,787	11,186
Total Receipts	11,787	11,186
DISBURSEMENTS		
City treasury	8,039	7,023
State of Missouri	540	489
Refunds and other	761	2,794
Total Disbursements	9,340	10,306
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,447	880
CASH, OCTOBER 1	3,404	2,524
CASH, SEPTEMBER 31	$ 5,851	3,404

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Greenfield Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, and other	$ 6,008	5,364
Total Receipts	6,008	5,364
DISBURSEMENTS		
City treasury	6,008	5,364
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	6,008	5,364
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Lamar (Note 4) Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 50,767	50,417
Total Receipts	50,767	50,417
DISBURSEMENTS		
City treasury	46,190	45,733
State of Missouri	2,265	2,198
Refunds and other	1,240	1,983
Total Disbursements	49,695	49,914
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,072	503
CASH, JULY 1	3,665	3,162
CASH, JUNE 30	$ 4,737	3,665

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Lockwood Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, and other	$ 2,483	2,193
Total Receipts	2,483	2,193
DISBURSEMENTS		
City treasury	2,483	2,193
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	2,483	2,193
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Twenty-Eighth Judicial Circuit of the state of Missouri. Since no cases were handled during the audit period and no monies were received for the city of Everton Municipal Division, the division's financial statement is not included in this report. The city of Sheldon Municipal Division is reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality, the county, or the state of Missouri, as applicable, and are not included in the financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses, and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998 and 1997, all bank account balances reported for the municipal divisions of the Twenty-Eighth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the judgement for the Motorcycle Safety Trust Fund and the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, the Statewide Court Automation Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Lamar, the city of Nevada, and the city of Stockton. Amounts remitted by the cities to the state are not included in the financial statements.

4. City of Lamar Municipal Division

Bonds posted by defendants for the city of Lamar Municipal Division are remitted to the city treasury monthly. The amounts held by the city at year end could not be determined and, therefore, are not included in the financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions of the Twenty-Eighth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998 and 1997; and June 30, 1998 and 1997, and have issued our report thereon dated January 19, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Twenty-Eighth Judicial Circuit for the applicable fiscal periods.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal divisions' special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of El Dorado Springs Municipal Division

The municipal division does not issue receipt slips for bond monies received from the police department for bonds collected for other courts. To adequately account for all bond monies received, prenumbered receipt slips should be issued by the municipal division for all bond monies immediately upon receipt and the receipt slips should be reconciled to bank deposits.

WE RECOMMEND the city of El Dorado Springs Municipal Division issue receipts for all bond monies received.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded that they have already started issuing prenumbered receipt slips for all bond monies received.

2. City of Greenfield Municipal Division

A. Receipts are not deposited on a timely basis. We noted instances in which receipts were not deposited for 3 to 9 days. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

B. Neither the police department nor the municipal division maintains records adequate to account for all tickets issued and their ultimate disposition. The police department maintains a log of tickets issued by officers; however, we noted that the log included gaps in the numerical sequence and had not been updated since May 1998. The municipal division maintains a log of tickets received from the police department; however, the log

is not maintained in numerical sequence. In addition, parking tickets were not prenumbered during the audit period.

Without a proper accounting of the numerical sequence of tickets issued, the police department and the municipal division cannot be assured that all tickets issued are properly submitted to the municipal division for processing. A log listing the ticket books assigned, each ticket issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets issued were submitted to the municipal division for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly.

C. Crime Victim's Compensation (CVC) fees collected by the municipal division which are due to the state are deposited into the city treasury. The TVB clerk logs TVB cases and submits the log for payment to the city only when the log page is full. The city did not disburse these monies to the state monthly during 1997 and 1998. During the audit period, these fees were paid to the state on a two to three month cycle. Section 595.045.5, RSMo Cumulative Supp. 1998, requires 95 percent of the CVC fee to be paid monthly to the state.

Conditions similar to A. and B. were also noted in our prior report.

WE RECOMMEND the city of Greenfield Municipal Division:

A. Deposit receipts daily or when accumulated receipts exceed $100.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets assigned and issued.

C. Request the city remit CVC fees to the state monthly in accordance with state law.

AUDITEE'S RESPONSE

The Court Clerk responded as follows:

A. We will try to deposit more often.

B. We are working with the police department to ensure the ticket records are kept up-to-date and to account for all tickets assigned and issued.

C. This recommendation has been implemented.

3. City of Lamar Municipal Division

A. The Court Clerk does not maintain a bond account, a bond ledger or a restitution ledger and does not prepare monthly listings of open items (liabilities). In addition, the Court Clerk turns over to the city the reconciled bank balance of her account at the end of the month, including open bonds and restitution amounts. Disbursements for bond refunds and

restitution monies are made by the court from subsequent collections of fines and court costs. These procedures would not detect any errors made by the Court Clerk.

A better procedure would be for the Court Clerk to maintain a bond account to hold bond monies until each case is final and can be paid out. A bond ledger or a restitution ledger indicating the related case, date and amount of receipt, and date of disbursement is necessary to ensure proper accountability of bond or restitution collections. A monthly listing of open items is necessary to ensure accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

B. The municipal division allows defendants to pay fines and court costs over a period of time. Although, individual case files with amounts due the court are filed separately, the Court Clerk does not maintain a control listing of cases with balances due. As of October 1998, the municipal division's accounts receivable totaled over $59,000.

Monthly or periodic listings of accounts receivable are necessary to facilitate the monitoring of amounts due to the court, to provide information to the Municipal Judge, and to help maximize collections. These listings should be reconciled on a periodic basis to the individual accounts receivable records.

WE RECOMMEND the city of Lamar Municipal Division:

A. Maintain a bond account for holding bond monies, a bond ledger, prepare monthly listings of open items, and reconcile the listing to the monies held in trust in the bond account.

B. Generate a periodic listing of accounts receivable and reconcile this information to the individual accounts receivable records. A report of cases with delinquent payments and/or significant balances due should be provided to the Municipal Judge regularly for review.

AUDITEE'S RESPONSE

The Court Clerk responded as follows:

A. I have started keeping a ledger to better track the bonds received and will plan to use this to prepare monthly reconciliations and track payments. For now we will consider whether it is necessary to open a bond account.

B. I have started maintaining a record of all accounts receivable that reconciles to the receivable records. This information will be provided to the judge monthly.

4. City of Stockton Municipal Division

A. We noted the following concerns related to fines, court costs, and bonds received by the municipal division:

1. Receipt slips were not issued for some monies and receipt slips were not always issued immediately upon receipt. We noted some bond money received from the

Cedar County Sheriff's Department that was deposited but not receipted. In addition, we noted two instances where receipt slips were issued for bond money approximately two months after the bonds were received and deposited. To properly account for all receipts and ensure they are properly deposited, prenumbered receipt slips should be issued for all monies immediately and receipts should be reconciled to deposits.

2. The Court Clerk accepts cash, checks, and money orders for the payment of fines and court costs. The Court Clerk does not always record the correct method of payment on receipt slips.

   To provide assurance all monies received have been properly deposited, a receipt slip noting the correct method of payment should be issued, and the composition of monies received should be reconciled to the composition of monies deposited.

3. Void receipt slips are not always properly retained. To ensure all receipts are properly accounted for, void receipt slips should be retained.

B. The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliations and a comparison of court receipt slips issued to amounts deposited.

C. Formal bank reconciliations are not prepared for the municipal division's bank account. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis.

D. Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. The Office of State Courts Administrator prepared an open items list for the municipal division as of June 30, 1998. This list identified all but approximately $76 being held by the court. An open items listing has not been prepared by the Court Clerk since June 30, 1998.

   Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. In addition, an attempt should be made to determine the proper disposition of these excess monies. For those monies which remain unclaimed, Section 447.595, RSMo 1994, requires funds remaining unclaimed for one year after disposition of the case to be turned over to the state's Unclaimed Property Section.

E. The municipal division allows defendants to pay fines and costs over a period of time. Defendants are required to attend court monthly until payment is received in full. The Court Clerk maintains the balance due information in the court docket books; however, periodic listings of amounts due are not prepared. In addition, a control ledger is not maintained showing the total amount due which can be reconciled to the individual

accounts receivable records. Periodic listings of amounts due would allow the court to monitor the amounts due the court and ensure deferred payments are processed correctly. As of November 1998, the municipal division's accounts receivable totaled $3,238.

Monthly or periodic listings of accounts receivable are necessary to facilitate the monitoring of amounts due to the division, to provide information to the Municipal Judge, and to help maximize collections. These listings should be reconciled on a periodic basis to the individual accounts receivable records.

F. Neither the police department nor the court maintained adequate records to account for all complaint forms issued and their ultimate disposition. Complaints are prenumbered, but a log is not maintained to account for the numerical sequence of the complaints issued or their ultimate disposition.

Without a proper accounting of the numerical sequence and disposition of complaint forms, the police department and the court cannot be assured that all complaint forms issued are properly submitted to the court for processing, properly voided, or not prosecuted.

Conditions similar to A.2. and B. were also noted in our prior report.

WE RECOMMEND the city of Stockton Municipal Division:

A.1. Issue receipt slips for all monies immediately upon receipt, and reconcile receipts to bank deposits.

2. Indicate the correct method of payment on all receipt slips, and reconcile total cash, checks, and money orders received to bank deposits.

3. Retain original copies of all voided receipt slips.

B. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

C. Prepare monthly bank reconciliations.

D. Prepare monthly listings of open items and reconcile the listings to monies held in trust. The municipal division should also attempt to identify to whom the $76 belongs, and disburse the funds appropriately. If this cannot be determined, the unidentified bond monies should be turned over to the state's Unclaimed Property Section in accordance with state law.

E. Prepare an accounts receivable listing on a monthly basis and use this listing to ensure appropriate action is taken on all cases with balances due to the municipal division. This listing should be reconciled periodically to individual accounts receivable records.

F. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all complaint forms.

AUDITEE'S RESPONSE

The Court Clerk responded as follows:

A. These recommendations have been implemented.

B. The judge now reviews the records and signs to document his review.

C. This recommendation has been implemented.

D. This recommendation has been implemented, and the unidentified monies have been identified.

E. A listing is now prepared and will be used to reconcile to the individual accounts receivable records.

F. The police department has established a complaint log to track the complaints and their disposition.

This report is intended for the information of the management of the various municipal divisions of the Twenty-Eighth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Twenty-Eighth Judicial circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1994 and 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of El Dorado Springs Municipal Division

   A. Receipts were not always deposited on a timely basis. In addition, monies collected by the police department were not turned over to the Court Clerk for deposit in a timely manner.

   B. The $5 CVC fee and the $2 LET fee were charged on cases dismissed by the court.

   Recommendation:

   The city of El Dorado Springs Municipal Division:

   A. Deposit all receipts intact daily or when accumulated receipts exceed $100.

   B. Discontinue charging the $5 CVC and $2 LET fees on dismissed cases.

   Status:

   A&B. Implemented.

2. City of Everton Municipal Division

   A. Receipt slips did not always indicate the method of payments received.

   B. Neither the municipal division nor the police department maintained adequate records to account for all traffic tickets.

   C.1. The $5 court costs which the city established, and is allowed to retain, was not collected by the TVB clerk.

   2. The schedule of fines and costs was not prominently posted at the TVB.

   D. Some municipal division records could not be located.

   E. The TVB Clerk did not always forward records of convictions to the MSHP. In addition, one ticket was improperly forwarded to the MSHP without proper court disposition.

Recommendation:

The city of Everton Municipal Division:

A. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to the composition of bank deposits.

B. Work with the police department to ensure adequate documentation is maintained when ticket books are destroyed and records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.

C.1. Collect court costs of $5 on each ticket handled through the TVB in compliance with the court order and Section 479.260, RSMo 1994.

2. Prominently post the schedule of fine and costs at the TVB.

D. Retain all court records in accordance with Supreme Court Administrative Rule 8.

E. Forward all records of convictions on traffic offenses to the MSHP as required by state law.

Status:

No cases were handled during the audit period and no monies were received for the City of Everton Municipal Division; therefore, this division is not included in this report.

3. City of Greenfield Municipal Division

A.1. Receipts were not deposited intact, and personal checks were frequently cashed for city employees from official city and municipal division receipts.

2. Receipts were not deposited on a timely basis.

3. Partial payments were held in cash and not deposited until the full payment was received. In addition, a receipt slip was not issued for a partial payment until the balance was paid in full twenty days later.

4. Checks and money orders were not always restrictively endorsed immediately upon receipt.

B. The TVB Clerk did not file with the city a monthly report of all cases prepaid at the TVB.

C. The police department did not maintain adequate records to account for all traffic tickets.

Recommendation:

The city of Greenfield Municipal Division:

A.1. Discontinue cashing personal checks with official receipts and deposit all monies intact.

2. Deposit receipts daily or when accumulated receipts exceed $100.

3. Issue receipt slips for all partial payments immediately upon receipt and deposit these collections in a timely manner.

4. Restrictively endorse checks and money orders immediately upon receipt.

B. Prepare and file with the city monthly reports of all cases handled through the TVB in accordance with state law.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

Status:

A.1, A.4, & B. Implemented.

A.2 & C. Not implemented. See MAR No. 2.

A.3. The TVB no longer accepts partial payments.

4. City of Lamar Municipal Division

A.1. Receipts on the cash control were not totaled on a monthly basis.

2. The method of payment was not always correctly indicated on receipt slips.

3. The original copy of voided receipts were not always retained.

B.1. The $5 CVC fee and the $2 LET fee were charged on cases dismissed by the court.
2. The court did not charge ILC Fund fees on all drug-related offenses and intoxication-related traffic offenses.

Recommendation:

The city of Lamar Municipal Division:

A.1. Maintain a complete cash control including all receipts, disbursements, and a periodic cash balance.

2. Indicate the correct method of payment on all receipt slips issued.

3. Retain all copies of voided receipt slips.

B.1. Discontinue charging the $5 CVC and $2 LET fees on dismissed cases.

2. Assess and collect the ILC fee in accordance with state law.

Status:

A. Implemented.

B.1. Not implemented. However, the Municipal Judge maintains the position that the Prosecutor is free to require the defendant to make payment of costs as a condition of dismissal. The judge monitors all case activities and reviews the arrangements on dismissed cases. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Based on statutory changes effective July 1, 1997, the ILC fee is no longer required to be collected by municipal divisions.

5. City of Liberal Municipal Division

A.1. Receipt slips were not issued for all monies received.

2. Receipt slips issued by the court did not always indicate the method of payment received.

B. The court did not charge CVC fees on non-traffic ordinance violations.

C. The TVB Clerk did not file with the city a monthly report of cases prepaid at the TVB.

D. The TVB Clerk did not forward required records of convictions on traffic offenses to the MSHP.

Recommendation:

The city of Liberal Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

B. Assess and collect the CVC fee in accordance with state law.

C. Prepare and file with the city monthly reports of cases handled through the TVB in accordance with state law.

D. Forward records of convictions on traffic offenses to the MSHP within ten days as required by state law.

Status:

A.1. Partially implemented. Receipts were written for monies paid through the TVB; however, the Court Clerk did not write receipt slips for monies received from the Associate Circuit Court. Although not repeated in the current MAR, our recommendation remains as stated above.

A.2 -
D. Implemented.

6. City of Lockwood Municipal Division

A. Receipt slips issued by the TVB did not indicate the method of payment received.

B. Voided traffic tickets were not retained and were not listed on the traffic ticket log.

C. The TVB did not always forward required records of convictions on traffic offenses to the MSHP.

D. The TVB Clerk did not file with the city a monthly report of all cases prepaid at the TVB.

Recommendation:

The city of Lockwood Municipal Division:

A. Indicate the method of payment on receipt slips and reconcile total cash, checks, and money orders received to bank deposits.

B. Work with the police department to ensure voided tickets are retained and to account for the numerical sequence and ultimate disposition of each traffic ticket.

C. Forward records of convictions on traffic offenses to the MSHP within ten days as required by state law.

D. Prepare and file with the city monthly reports of cases handled through the TVB in accordance with state law.

Status:

A-D. Implemented.

7. City of Nevada Municipal Division

Parking fines collected by the police department were not turned over to the city in a timely manner.

Recommendation:

The city of Nevada Municipal Division deposit all parking ticket receipts daily or when accumulated receipts exceed $100.

Status:

Implemented.

8. City of Stockton Municipal Division

A.1. Receipts were not always deposited intact on a timely basis.

2. Receipt slips issued by the court did not always indicate the method of payment received.

B. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

Recommendation:

The city of Stockton Municipal Division:

A.1. Discontinue cashing checks from municipal division collections and deposit receipts intact daily or when accumulated receipts exceed $100.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

B. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

Status:

A.1. Implemented.

A.2
&B. Not implemented. See MAR No. 4.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTY-EIGHTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Twenty-Eighth Judicial Circuit is composed of Barton, Cedar, Dade, and Vernon counties. The Honorable C. David Darnold serves as Presiding Judge. There are nine municipal divisions within the Twenty-Eighth Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respectively municipality, the county, or the state of Missouri, as applicable.

Municipal Division Organization, Personnel, and Caseload Information

1. City of El Dorado Springs

   Organization

   The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for the deposit of fines, court costs, and bonds. Fines and court costs are transmitted by check to the city treasury after each court date. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

   Personnel

Municipal Judge	Greg Beydler
Court Clerk	Jan Taylor

   Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed	775	724

2. City of Everton

   Organization

Court cases are heard by the Dade County Associate Circuit Judge at the county courthouse. A TVB has been established at the city to receive payment of fines and court costs at times other than during court. The City Clerk serves as the TVB Clerk and is responsible for recording transactions as well as handling collections and disbursements. No fines or court costs were collected during the years ended June 30, 1998 and 1997.

Personnel

Associate Circuit Judge	David R. Munton
City Clerk/TVB Clerk	Loretta Hudson*

* Angela Schletzbaum served as TVB Clerk prior to August 1998.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	0	0

3. City of Greenfield

Organization

Cases are heard by the Dade County Associate Circuit Judge at the county courthouse. A TVB has been established to receive payment of fines and court costs at times other than during court. The TVB Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury.

Personnel

Associate Circuit Judge	David R. Munton
TVB Clerk	Sheila Perkins

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	200	147

4. City of Lamar

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for the deposit of fines, court costs, and bonds. Fines, court costs, and bonds are transmitted by check monthly to the city treasury. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	James Nichols
Court Clerk	Denzil Divine

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	421	407

5. City of Liberal

Organization

Court cases are heard by the Barton County Associate Circuit Judge at the county courthouse. A TVB has been established at the city to receive payments of fines and court costs at times other than during court. The City Clerk serves as the TVB Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury.

Personnel

Associate Circuit Judge	Charles Curless
City Clerk/TVB Clerk	Doris Ann Fast

Caseload Information

	Year Ended December 31,	
	1998	1997
Number of cases filed	0	8

6. City of Lockwood

Organization

Court cases are heard by the Dade County Associate Circuit Judge at the county courthouse. A TVB has been established at the city to receive payments of fines and court costs at times other than during court. The City Treasurer serves as the TVB Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury.

Personnel

Associate Circuit Judge	David R. Munton
City Treasurer/TVB Clerk	Kathie Needham

Caseload Information

	Year Ended June 30,	
	1998	1997

Number of cases filed	95	59

7. City of Nevada

Organization

The Court Clerk, assisted by two deputy court clerks, is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for the deposit of fines, court costs, and bonds. Fines and court costs are transmitted by check weekly to the city treasury. Parking fines are transmitted directly to the City Treasurer. Court is held once a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	James Bickel
Court Clerk	Tonya Hogan

Caseload Information

	Year Ended December 31,	
	1998	1997
Number of cases filed	2,508	1,963

8. City of Stockton

Organization

The Court Clerk, assisted by the City Clerk, is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for the deposit of fines, court costs, and bonds. Fines and court costs are transmitted by check monthly to the city treasury. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

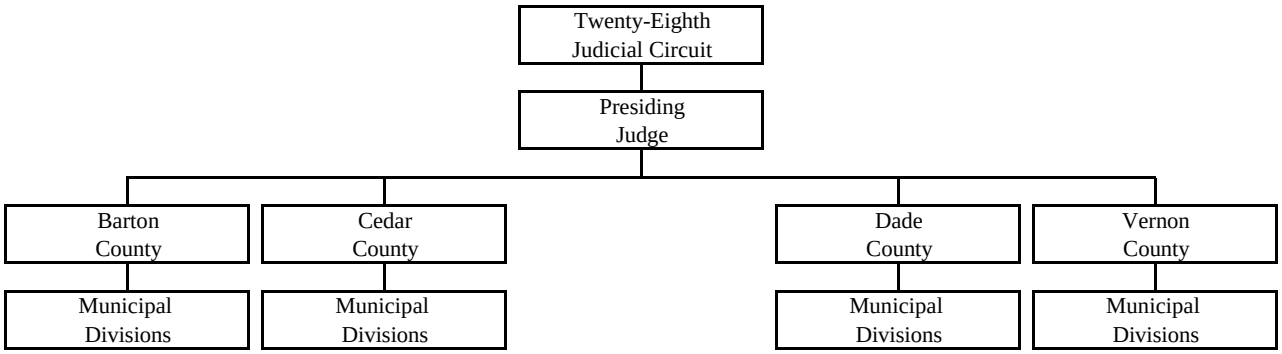
Municipal Judge	Ron Broksieck
Court Clerk	Julie Stanton*

* Chandra Daulton served as Court Clerk prior to June 1998.

Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed	184	189

TWENTY-EIGHTH JUDICIAL CIRCUIT
ORGANIZATION CHART



City of Lamar
City of Liberal

City of El Dorado Springs
City of Stockton

City of Everton
City of Greenfield
City of Lockwood

City of Nevada
City of Sheldon *

* Reported on separately.

* * * * *

FORTY-FIFTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-31
May 4, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

The following audit report presents our findings and recommendations for the municipal divisions of the Forty-Fifth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Bowling Green	*pages 23-24*
City of Clarksville	*page 25*
City of Curryville	*pages 25-26*
City of Foley	*pages 26-29*
City of Frankford	*pages 29-32*
City of Louisiana	*pages 32-35*
City of Old Monroe	*pages 35-36*
City of Troy	*page 37*

Actions taken by the various municipal divisions of the Forty-Fifth Judicial Circuit on recommendations made in the prior reports are noted on pages 38-54.

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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B	Statement of Receipts, Disbursements, and Changes in Cash, Year Ended September 30, 1998	
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C	Comparative Statement of Receipts, Disbursements, and Changes in Cash, Years Ended June 30, 1998 and 1997	
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FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Forty-Fifth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Forty-Fifth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998; June 30, 1998 and 1997; and May 31, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Forty-Fifth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1*, requires disclosures of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work

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in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. Except for disclosures provided by the municipal divisions of the city of Bowling Green, city of Clarksville, city of Louisiana, and city of Troy, which are included in Note 5, the various municipal divisions of the Forty-Fifth Judicial Circuit have omitted such disclosures. We do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal division's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal division does business will become year 2000-compliant.

In our opinion, except for the effects of the omission and of such adjustments, if any, on the financial statements because of the matters discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Forty-Fifth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998; June 30, 1998 and 1997; and May 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

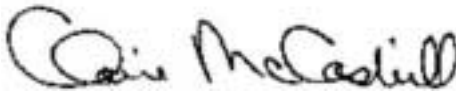
We also had planned to audit the accompanying special-purpose financial statement of the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997. This special-purpose financial statement is the responsibility of the municipal division's management.

The internal control procedures and accounting records of the city of Frankford Municipal Division were inadequate. Prenumbered receipt slips were not always issued and there was no complete record of monies received. Prenumbered checks were not issued for monies disbursed. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1998 and 1997.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 2, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

February 2, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Forty-Fifth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Forty-Fifth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998; June 30, 1998 and 1997; and May 31, 1998 and 1997, and have issued our report thereon dated February 2, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Forty-Fifth Judicial Circuit for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statement of the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated February 2, 1999. In that report we did not express an opinion on the special-purpose financial statement.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statement of the various municipal divisions of the Forty-Fifth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

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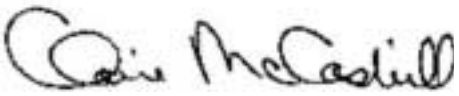
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Forty-Fifth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Forty-Fifth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

February 2, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Clarksville Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 0	227
Total Receipts	0	227
DISBURSEMENTS		
City treasury	0	364
State of Missouri (Note 3)	0	0
Refunds and other	0	121
Total Disbursements	0	485
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-258
CASH, JANUARY 1	0	258
CASH, DECEMBER 31	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Curryville Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 174,452	132,710
Total Receipts	174,452	132,710
DISBURSEMENTS		
City treasury	155,567	118,057
State of Missouri (Note 3)	0	0
Refunds and other	12,576	10,492
Total Disbursements	168,143	128,549
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,309	4,161
CASH, JANUARY 1	8,528	4,367
CASH, DECEMBER 31	$ 14,837	8,528

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Foley Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 23,043	20,163
Total Receipts	23,043	20,163
DISBURSEMENTS		
City treasury	22,140	18,363
State of Missouri (Note 3)	0	0
Refunds and other	2,763	166
Total Disbursements	24,903	18,529
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,860	1,634
CASH, JANUARY 1	1,965	331
CASH, DECEMBER 31	$ 105	1,965

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Old Monroe (Note 4) Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 38,975	44,471
Total Receipts	38,975	44,471
DISBURSEMENTS		
City treasury	30,538	41,762
State of Missouri	2,743	1,101
Refunds and other	3,952	993
Total Disbursements	37,233	43,856
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,742	615
CASH, JANUARY 1	615	0
CASH, DECEMBER 31	$ 2,357	615

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Bowling Green Year Ended September 30, 1998
RECEIPTS	
Fines, costs, bonds, and other	$ 32,764
Total Receipts	32,764
DISBURSEMENTS	
City treasury	29,954
State of Missouri	1,921
Refunds and other	1,989
Total Disbursements	33,864
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,100
CASH, OCTOBER 1	3,895
CASH, SEPTEMBER 30	$ 2,795

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

(UNAUDITED)

	City of Frankford Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 8,221	4,126
Total Receipts	8,221	4,126
DISBURSEMENTS		
City treasury	4,001	4,083
State of Missouri	345	43
Refunds and other	9	0
Total Disbursements	4,355	4,126
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,866	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 3,866	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Troy Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 230,074	234,438
Total Receipts	230,074	234,438
DISBURSEMENTS		
City treasury	107,873	116,486
State of Missouri	22,611	20,902
Refunds and other	98,660	96,233
Total Disbursements	229,144	233,621
RECEIPTS OVER (UNDER) DISBURSEMENTS	930	817
CASH, JULY 1	6,003	5,186
CASH, JUNE 30	$ 6,933	6,003

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Louisiana Year Ended May 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 52,918	46,816
Total Receipts	52,918	46,816
DISBURSEMENTS		
City treasury	50,828	32,562
State of Missouri (Note 3)	0	0
Refunds and other	6,710	10,096
Total Disbursements	57,538	42,658
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,620	4,158
CASH, JUNE 1	8,260	4,102
CASH, MAY 31	$ 3,640	8,260

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Forty-Fifth Judicial Circuit of the state of Missouri. The city of Bowling Green Municipal Division for the year ended September 30, 1997, is reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality, the county, or the state of Missouri, as applicable, and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998 and 1997, all bank account balances reported for the municipal divisions of the Forty-Fifth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include 80 percent of the court costs for cases heard by an Associate Circuit Judge; surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, the Statewide Court Automation Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Old Monroe, city of Bowling Green, city of Frankford, and city of Troy. Amounts remitted by the cities to the state are not included in the financial statements.

4. City of Old Monroe

Bonds posted by defendants for the city of Old Monroe Municipal Division were deposited directly into the city treasury until September 1998. The municipal division opened a bond account in September 1998 for the deposit of all bond monies. The bond amounts held by the city at December 31, 1997, could not be determined and, therefore, are not included in the financial statements.

5. Year 2000 Compliance - Various Municipal Divisions

Current vendors have represented to the city of Bowling Green that computer equipment and software utilized by the police department and municipal Court Clerk are Year 2000 compliant.

The city of Clarksville Municipal Division has not committed any resources to make computer systems and other electronic equipment Year 2000 compliant. However, the city itself has allocated sums which are unknown to the court to make all computer systems Year 2000 compliant. All computer operating systems are compliant. It is the court's understanding that the billing and other systems of the city are also compliant, and, insofar as these areas impact the municipal division, would be in compliance for purposes of this

disclosure. The court is unaware whether any validation or testing has been commenced or completed and, therefore, cannot offer comment on that area.

The city of Louisiana Municipal Division has no plans to commit resources to make its computer systems Year 2000 compliant. However, it is the court's understanding that software currently being utilized is fully Year 2000 compliant and, therefore, no problems are anticipated.

The software vendor has represented to the city of Troy Municipal Division that the court's current software package is Year 2000 compliant. In addition, the city is currently taking bids to upgrade the court's current computer system. If purchased, the new program will be Year 2000 compliant.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997) of the Forty-Fifth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998; June 30, 1998 and 1997; and May 31, 1998 and 1997, and have issued our report thereon dated February 2, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Forty-Fifth Judicial Circuit for the applicable fiscal periods.

We also had planned to audit the special-purpose financial statement of the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated February 2, 1999. In that report we did not express an opinion on the special-purpose financial statement.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Bowling Green Municipal Division

A. The Court Clerk and Deputy Court Clerk issue receipt slips for all monies received. However, some receipt books used are not prenumbered. In addition, receipt slips that are prenumbered are not always issued in numerical order.

To ensure proper recording and accountability of receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

B. The Court Clerk, Deputy Court Clerk, and police dispatcher collect cash, checks, and money orders for payments of traffic violations. These individuals are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.

C. A monthly listing of open items (liabilities) is not prepared. At our request, the Court Clerk prepared a listing as of September 30, 1998, and this listing reconciled to the cash balance. Monthly listings of open items should be prepared and reconciled to

the cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

D. Neither the police department nor the municipal division has adequate procedures to account for traffic tickets or summonses issued and their ultimate disposition. Summons forms, which are issued for non-traffic violations, are not prenumbered. The police department records traffic ticket and summonses issuance information on a computer system, but does not generate a periodic report or utilize this information to account for the numerical sequence of traffic tickets or summonses.

Without a proper accounting for the numerical sequence of tickets and summonses, the police department and the municipal division cannot be assured that all documents issued were properly submitted to the municipal division for processing. A log listing each ticket/summons in numerical order, the date issued, and the violator's name would help ensure all tickets and summonses issued have been submitted to the municipal division for processing, properly voided, or not prosecuted.

A similar condition was also noted in our prior reports.

WE RECOMMEND the city of Bowling Green Municipal Division:

A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips issued.

B. Request the city obtain bond coverage for all persons handling municipal division monies.

C. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the municipal division.

D. Request the police department to issue prenumbered summons forms, and work with the police department to implement the necessary procedures and records to account for the numerical sequence of all tickets and summons issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk indicated:

A-C. These recommendations have been implemented.

D. Summons forms are now prenumbered. They will work with the police department to ensure all tickets and summonses issued are accounted for.

2. City of Clarksville Municipal Division

The municipal division assesses court costs of $16 and $14 for moving and nonmoving violations, respectively. Section 488.012.3, RSMo Cumulative Supp. 1998, limits court costs in cases heard before a municipal judge to $12 per case.

WE RECOMMEND the city of Clarksville Municipal Division assess court costs in accordance with state law.

AUDITEE'S RESPONSE

The Court Clerk indicated this recommendation has been discussed with the city attorney and the city's ordinance will be revised to reduce court costs from $16 to $12 to comply with state law.

3. City of Curryville Municipal Division

A. Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

B. Neither the police department nor the municipal division maintains adequate records to account for traffic tickets issued and their ultimate disposition. A log showing ticket books assigned to officers is maintained by the municipal division, but no records or procedures exist to account for the numerical sequence of tickets issued and their disposition.

Without a proper accounting of the numerical sequence and disposition of traffic tickets, the police department and municipal division cannot be assured that all traffic tickets issued were properly submitted to the court for processing. A log listing the ticket book assigned, each ticket number, the date issued, the case number, and the violator's name would help ensure all tickets issued were submitted to the court for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each traffic ticket should also be maintained to ensure all traffic tickets have been accounted for properly.

A similar condition was also noted in our prior report.

C. Beginning in October 1997, the municipal division increased the fee assessed for court costs from $12 to $15 for all traffic violations filed in the municipal division and heard by the municipal judge. Section 488.012.3, RSMo Cumulative Supp. 1998, limits court costs in cases heard before a municipal judge to $12 per case.

D. The municipal division allows the Court Clerk to amend certain violations payable through the TVB from point violations to non-point violations if the defendant requests the change and no other violations are pending. For example, speeding violations are frequently amended to improper or illegal parking violations. The court assesses an additional fine of $40 in exchange for the reduction in charge. The Court Clerk amends the violations and accepts payment from the defendant at the TVB. Eleven of the sixty tickets we reviewed had been amended in this manner. The Court Clerk can also nolle pros tickets for certain violations if the defendant provides necessary documentation at the TVB. The Municipal Judge and City Attorney subsequently review and approve the handling of these type tickets when court is held. To ensure amendments are proper and nolle pros dispositions are appropriate, the City Attorney or the Municipal Judge should consider and make such decisions rather than the Court Clerk.

WE RECOMMEND the city of Curryville Municipal Division:

A. Restrictively endorse all checks and money orders immediately upon receipt.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

C. Assess court fees in accordance with state law.

D. Ensure the City Attorney or Municipal Judge is aware of and authorizes any amendment of charges or nolle pros ticket dispositions prior to the Court Clerk taking such action.

AUDITEE'S RESPONSE

The Municipal Judge indicated:

A-C. These recommendations have been implemented.

D. Effective April 14, 1999, the Court Clerk is no longer authorized to nolle pros tickets or amend tickets without prior approval of the City Attorney or the Municipal Judge.

4. City of Foley Municipal Division

A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. Except for monies received through the TVB by the City Clerk, the Court Clerk performs all the duties related to the collection, deposit, and recording of fines, court costs, and bonds. There is no independent reconciliation between receipts and deposits, and there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of the reconciliations between receipts and deposits.

B. Receipts are not always recorded and deposited on a timely basis. Payments received in court are generally deposited the next day. Payments received through the TVB are sometimes held for approximately a month without being recorded or restrictively endorsed, and are later deposited along with the court receipts regardless of the receipt date. As a result, monies on hand are not adequately documented and safeguarded, and records of monies received through the TVB do not reflect actual receipt dates in some cases. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt, receipts should be recorded promptly, and monies should be deposited daily or when accumulated receipts exceed $100.

A similar condition was also noted in our prior report.

C. The Municipal Judge does not review and sign the court docket after case disposition has been recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should sign the court dockets after reviewing to ensure their propriety.

D. The municipal division does not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP) in a timely manner. We noted seven instances in which cases involving moving traffic violations have not been forwarded to the MSHP. Convictions on two of these cases were obtained in May 1998. Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

E. We noted that Crime Victims Compensation (CVC), Law Enforcement Training (LET), and Peace Officers Standards and Training Commission (POSTC) fees were assessed on some dismissed cases. Sections 595.045 and 590.140, RSMo Cumulative Supp. 1998, require these fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

F. Beginning in October 1997, the municipal division increased the fee assessed for court costs from $12 to $15 for all traffic violations filed in the municipal division and heard by the municipal judge. Section 488.012.3, RSMo Cumulative Supp. 1998, limits court costs in cases heard before a municipal judge to $12 per case.

WE RECOMMEND the city of Foley Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum there should be a documented supervisory review of the reconciliation between receipts and deposits, and a review of the account reconciliations.

B. Restrictively endorse checks and money orders immediately upon receipt, record monies received promptly, and deposit receipts daily or when accumulated receipts exceed $100.

C. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

D. Forward traffic tickets involving moving traffic violations to the MSHP as required by state law.

E. Assess fees in accordance with state law.

F. Assess court costs in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk indicated:

A. The city of Foley employs one part-time Court Clerk. Under these circumstances an independent reconciliation of receipts and deposits or segregation of duties is not possible. However, upon the suggestion of the State Auditor's office, the Municipal Judge and Court Clerk have implemented procedures wherein the Municipal Judge reviews and signs the monthly docket and summary reports.

B. Again, because the city employs one part-time Court Clerk, it is not possible to make a daily deposit as requested. However, as suggested, the Court Clerk has begun to endorse checks and money orders upon receipt, rather than at the end of the evening and when preparing the deposit. Additionally, the Court Clerk will continue to make every effort to make deposits when receipts are received or when accumulated receipts exceed $100. Monies received will be recorded on a log promptly.

C. In order to satisfy the suggestion of the State Auditor's office, the Municipal Judge and Court Clerk have implemented procedures wherein the Municipal Judge reviews and signs the monthly docket and summary reports, as well as reviews and signs all amended cases.

D. Certain circumstances have caused the Court Clerk to fall behind in preparing tickets for sending to the MSHP. The Court Clerk will make every effort in the future to comply with state law.

E. The Court Clerk will make every effort to assess fees in accordance with state law.
F. In the future the Court Clerk will assess court costs in accordance with state law.

5. City of Frankford Municipal Division

Several changes in municipal division, police department, and city personnel occurred during the audit period. Likewise, inconsistencies developed with the municipal division records and procedures. Our review revealed significant concerns with regard to receipting and reconciliation procedures, and other basic recordkeeping procedures.

A. The duties of receiving, recording and depositing court receipts are not adequately segregated. Except for monies collected through the TVB by the City Clerk, the Court Clerk performs all the duties related to the collection, deposit, and recording of court receipts. There is no independent reconciliation between receipts and deposits, and there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately segregated. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of the reconciliations between receipts and deposits.

B. Prenumbered receipt slips were inconsistently used and generally did not indicate the method of payment. Receipts were sometimes recorded on the court docket or a receipt ledger; however, these records did not indicate the date of receipt or the method of payment. Also, some monies deposited were not recorded in any of the municipal division records. As a result, a complete and detailed initial record of receipts was not maintained for the audit period. In addition, checks and money orders received are not restrictively endorsed immediately upon receipt, court receipts are not maintained in a secure location prior to deposit, and court receipts are not always deposited on a timely basis.

To adequately account for all receipts, a complete record of monies received should be maintained. The records should include prenumbered receipt slips which note all relevant data about the payment including date of receipt and method of payment. The numerical sequence of receipt slips should be accounted for and the payment composition on the receipt slips should be reconciled to bank deposits to ensure all receipts are deposited intact. In addition, checks and money orders should be restrictively endorsed immediately upon receipt, monies should be retained in a secure location until deposit, and monies should be deposited daily or when accumulated receipts exceed $100.

In August 1998, the court began issuing prenumbered receipt slips for all collections.

C. The Police Chief and Court Clerk collect fines, court costs, and bonds. These individuals are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.

D. The Court Clerk does not maintain a checkbook register or prepare bank reconciliations for the municipal division bank account. A checkbook register containing the date, amount, and description of checks issued, deposits made, and the cash balance, should be prepared and reconciled to the bank statement monthly to properly monitor the bank transactions and ensure the bank and municipal division book balances are in agreement.

E. A monthly listing of open items (liabilities) is not prepared. Monthly listings of open items should be prepared and reconciled to the cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

F. We noted several instances where the City Clerk issued checks from the court account that were not prenumbered. The City Clerk indicated that non-prenumbered checks were ordered by the city to minimize court operating costs. To ensure all monies disbursed are properly recorded and accounted for, only prenumbered checks specific to the account should be used.

G. The municipal division operates a TVB that allows certain offenses to be paid prior to the court date; however, a court order could not be located formally establishing the TVB. Section 479.050, RSMo 1994 states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense.

H. The Municipal Judge does not record or approve his case decisions. The Court Clerk prepares a court docket prior to each court. It includes pertinent case information and is used during court proceedings by the Court Clerk to record case dispositions. However, the Municipal Judge does not review the court dockets after case dispositions have been recorded. To ensure proper disposition of all cases has been entered in the court records, the judge should sign the court dockets after reviewing to ensure their propriety.

I. The municipal division does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

J. The traffic ticket issuance log maintained by the police department is not always complete. The log did not contain all necessary information such as date issued, offense, violator's name, and ultimate disposition for all tickets.

The ticket issuance log should be properly completed to help ensure that all tickets have been accounted for and submitted to the municipal division for processing.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Frankford Municipal Division as of and for the years ended June 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Frankford Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing municipal division receipts. At a minimum there should be a documented supervisory review of the reconciliation between receipts and deposits, and a review of the account reconciliations.

B. Ensure that prenumbered receipt slips are issued for all collections and reconciled to bank deposits, restrictively endorse all checks and money orders immediately upon receipt, and deposit receipts intact daily or when accumulated receipts exceed $100.

C. Request the city obtain bond coverage for all persons handling municipal division monies.

D. Maintain a complete checkbook register and reconcile it monthly to the bank statement.

E. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the municipal division.

F. Use only prenumbered checks specific to the official bank account and account for their numerical sequence.

G. Prepare a court order authorizing the establishment of a TVB.

H. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

I. Prepare monthly reports of court actions and file these with the city in accordance with state law.

J. Work with the police department to ensure that all traffic tickets issued are accounted for properly.

AUDITEE'S RESPONSE

The Court Clerk indicated:

A. The Municipal Judge plans to begin reviewing the after-court docket and bank statement reconciliations since segregating duties is not possible.

B,D, &F. These recommendations have been implemented.

C, E, & G. These recommendations will be implemented.

H. The Municipal Judge plans to begin reviewing the after-court dockets and will initial or sign them to show his approval.

I. Because court is held quarterly, reports of court actions will be filed with the city on a quarterly, rather than monthly, basis.

J. This recommendation will be discussed with the police officer.

6. City of Louisiana Municipal Division

A. The duties of receiving, recording, depositing and disbursing court receipts are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. There is no independent reconciliation between receipts and deposits, and there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of the reconciliations between receipts and deposits.

B. Receipt slips issued for the receipt of dog fines and police reports are not prenumbered and do not indicate the method of payment. To adequately account for receipts and provide assurance all monies received have been properly transmitted, prenumbered receipt slips noting the method of payment should be issued for all monies received and the numerical sequence should be accounted for properly. In addition, the composition of monies received should be reconciled to the composition of monies transmitted to the city treasurer.

C. Court receipts are not always deposited on a timely basis. Deposits are made approximately once a week and the amounts deposited often exceeded $1,000. Because the majority of monies collected by the municipal division is in cash, timely deposits are even more important. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited daily or when accumulated receipts exceed $100.

D. Listings of open items (liabilities) were not prepared on a regular basis throughout the audit period. At our request, a May 31, 1998, listing was prepared and this listing reconciled to the cash balance. As discussed in our prior report, the listing and cash balance include approximately $530 in old unidentified bond monies and monies pertaining to two bonds received in 1990 and 1992 in which the applicable cases had been turned over to another court.

Monthly listings of open items should be prepared and reconciled to the cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities. A review of old bond monies still remaining in the account should be made and these monies disposed of as provided for in various applicable statutory provisions.

E. The municipal division allows defendants to pay fines and costs over a period of time, contingent upon signing a payment plan agreement. However, there are no set procedures or periodic accounts receivable reports utilized to monitor amounts due to the municipal division. Our review of partial payment arrangements revealed several concerns including instances where periodic payments as required by the payment plan agreements were missed and no follow up action was taken by the municipal division, an instance where the accounts receivable records were not updated for a recent payment, instances where partial payments were being made but no payment plan agreement was on file, and instances where individual case file receivable information did not agree to the overall accounts receivable listing. At May 31, 1998, municipal division records indicated an accounts receivable balance of approximately $33,500.

The periodic preparation of accounts receivable listings is necessary to ensure proper follow-up action is taken, to facilitate monitoring of amounts due to the division, and to provide information to the Municipal Judge. Proper follow-up action could include requiring the defendant to appear in court to justify reasons for non-payment, the issuance of arrest warrants for those defendants not providing such justification, and writing off those accounts which are deemed to be uncollectible, after review and approval by the Municipal Judge. The accounts receivable listings should be periodically reconciled to the individual accounts receivable records to check the accuracy of each record.

F. The Court Clerk maintains records of traffic tickets and summonses assigned to police officers; however, neither the police department nor the municipal division

maintains adequate records to account for traffic tickets and summonses issued and their ultimate disposition.

Without a proper accounting of the numerical sequence and disposition of traffic tickets and summonses, the police department and the municipal division cannot be assured that all traffic tickets and summonses issued were properly submitted to the municipal division for processing. A log listing each ticket in numeric order, the date issued, and the violator's name would help ensure that all tickets issued have been submitted to the municipal division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each traffic ticket and summons should also be maintained to ensure all traffic tickets and summonses have been accounted for properly.

Except for part C., similar conditions were also noted in our prior report.

WE RECOMMEND the city of Louisiana Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum there should be a documented supervisory review of the reconciliation between receipts and deposits, and a review of the account reconciliations.

B. Issue prenumbered receipt slips for all monies received, indicate the method of payment on each receipt slip issued, and reconcile the composition of monies received to the composition of monies transmitted.

C. Deposit receipts intact daily or when accumulated receipts exceed $100.

D. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the municipal division. Any bonds remaining on hand over a period of time should be followed-up on and either refunded, forfeited, or turned over to the state's Unclaimed Property Section.

E. Establish adequate accounts receivable reporting and follow up procedures. In addition, the listing of accounts receivable should be reconciled to the individual accounts receivable records on a periodic basis.

F. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued.

AUDITEE'S RESPONSE

The Court Clerk indicated:

A. The police chief will begin reviewing records and reconciliations periodically.

B&C. These recommendations have been implemented.

D. Open items listings are now prepared and she plans to turn over the old bond monies to the state's Unclaimed Property Section.

E. The court is now requiring individuals who owe money to return to court monthly and there has been significant improvement in the amounts collected. The accounts receivable records will be reconciled periodically.

F. This recommendation will be discussed with the police department.

7. City of Old Monroe Municipal Division

A. The duties of receiving, recording, depositing and disbursing court receipts are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. There is no independent reconciliation between receipts and deposits, and there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of the reconciliations between receipts and deposits.

B. The Municipal Judge does not always record or approve case decisions in the individual ticket files during court. The court dockets prepared by the Court Clerk include payment information but do not include case dispositions and fines and court costs assessed by the judge. In addition, the Municipal Judge does not review the court dockets after case information has been recorded.

To ensure proper disposition of all cases has been entered in the court records, the judge should sign the court dockets after reviewing to ensure their propriety.

C. The police department issues municipal summonses for non-traffic violations. Neither the police department nor the municipal division maintains adequate records to account for municipal summonses assigned and issued, and their ultimate disposition. We were unable to determine the number of summonses issued during our audit period.

Without a proper accounting of the numerical sequence and disposition of summonses, the police department and the municipal division cannot be assured that all summonses issued were properly submitted to the municipal division for

precessing. A log listing the summons book assigned, each summons number, the date issued, and the violator's name would help ensure all summonses issued were submitted to the court for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each summons should also be maintained to ensure all summonses have been accounted for properly.

D. A monthly listing of open items (liabilities) is not prepared for the bond or court accounts. At our request, the Court Clerk prepared a listing as of December 31, 1998, and this listing reconciled to the cash balance. Monthly listings of open items should be prepared and reconciled to the cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

E. The Court Clerk is responsible for monthly disbursements of Crime Victims Compensation (CVC) and Peace Officer Standards and Training Commission (POST) fees to the state; however, we noted several instances for which the state's portion of CVC and POSTC fees were not remitted on a timely basis. Section 595.045.5, RSMo Cumulative Supp. 1998, requires 95 percent of the CVC fee to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.

Conditions similar to A, B, and C. were also noted in our prior report.

WE RECOMMEND the city of Old Monroe Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum there should be a documented supervisory review of the reconciliation between receipts and deposits, and a review of the account reconciliations.

B. Record case dispositions and fines and costs assessed on the court dockets and ensure the dockets are reviewed and signed by the Municipal Judge.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all municipal summonses issued.

D. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the municipal division.

E. Remit CVC and POST fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge indicated that he believes all the audit recommendations are valid and good. They will be discussed with the new Court Clerk and implemented.

8. City of Troy Municipal Division

A. Municipal division cases are heard before the Lincoln County Associate Circuit Judge. The division assesses court costs of $10 per case. Section 488.012.3, RSMo Cumulative Supp. 1998, requires a court cost of $12 to be charged on each municipal division case filed before a municipal judge and $15 to be charged on each municipal division case filed before an Associate Circuit Judge. Additionally, CVC and LET fees are not assessed on some applicable cases. Sections 595.045 and 590.140, RSMo Cumulative Supp. 1998, require these fees be charged on all cases for violations of municipal ordinances, except for cases dismissed by the court.

B. Neither the police department nor the municipal division maintains complete records to account for traffic tickets assigned and issued and their ultimate disposition. While police department personnel prepare ticket assignment and issuance logs, ticket issuance logs available for our review did not contain all necessary information, such as date issued, offense, violator's name, and ultimate disposition.

The ticket issuance logs should be properly completed to provide a proper accounting of the numerical sequence and ultimate disposition of tickets.

A similar condition was also noted in our prior audit report.

WE RECOMMEND the city of Troy Municipal Division:

A. Assess court costs and fees in accordance with state law.

B. Work with the police department to ensure ticket issuance logs provide necessary details.

AUDITEE'S RESPONSE

A. The Associate Circuit Judge indicated this recommendation will be implemented. Court costs of $12 will be assessed in the future.

B. The Court Clerk indicated she will work with the police department to improve ticket accountability procedures and records.

This report is intended for the information of the management of the various municipal divisions of the Forty-Fifth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

FORTY FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up taken by the municipal divisions of the Forty-Fifth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ending 1994 and 1993, our report for the City of Bowling Green, Missouri, and our report for the Forty-Fifth Judicial Circuit, City of Elsberry, Missouri, Municipal Division. The prior recommendations that have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
TWO YEARS ENDED 1994 AND 1993

1. City of Bowling Green Municipal Division

A. The duties of receiving, recording, and depositing monies were not adequately segregated.

B.1. Receipts were not deposited to the court's bank account on a timely basis.

2. Voided receipt slips were not always retained.

C. Neither the police department nor the court maintained adequate records to account for traffic tickets assigned and issued, their ultimate disposition, and the case files could not be located by ticket number.

D. The court allowed defendants to pay fines and costs over a period of time; however, procedures to document and track amounts owed the court were not adequate.

E. The court collected LET fees on all dismissed cases.

Recommendation:

The city of Bowling Green Municipal Division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Deposit receipts intact daily or when accumulated receipts exceed $100.

2. Retain all voided receipt slips.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued, and to allow case files to be located by ticket number.

D. Establish a continuance docket wherein the defendant would continue to appear on the docket until the fine and court cost were paid. In addition, warrants should be issued for those who fail to comply with the court's order.

E. Assess and remit LET fees in accordance with state law.

Status:

A. Partially implemented. The duties of receiving and depositing are segregated for TVB collections, but these duties are not segregated for collections received during court. Additionally, although the former Municipal Judge reviewed the checkbook register and bank reconciliations, the current judge does not review these records. Although not repeated in the current MAR, the municipal division should segregate duties completely and/or establish a documented periodic review of municipal division records by an independent person.

B.1,
B.2,
D&E. Implemented.

C. Not implemented. See MAR No. 1.

2. City of Clarksville Municipal Division

A. CVC fees totaling $281 had not been remitted by the city to the state.

B. The Municipal Judge did not sign the court docket after case dispositions were recorded.

C. The Municipal Judge had not issued a court order to formally establish the TVB.

D. The CVC and LET fees were not being collected on city ordinance violations.

E. The duties of receiving, recording, and depositing monies were not adequately segregated.

Recommendation:

The city of Clarksville Municipal Division:

A. Request the City Clerk to remit the $281 and future CVC fees to the state in accordance with state law.
B. Require the judge's signature on the court dockets.

C. Issue a court order to establish the TVB.

D. Assess and remit CVC and LET fees in accordance with state law.

E. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

Status:

A,B
C,&
D. Implemented.

E. Not implemented. Although not repeated in the current MAR, the municipal division should still consider implementing this recommendation.

3. City of Curryville Municipal Division

A. Receipts were not transmitted to the city's account on a timely basis.

B. The Municipal Judge did not sign the official court dockets and some dockets were not retained.

C. Neither the police department nor the court maintained adequate records to account for traffic tickets issued, and their ultimate disposition, and the case files could not be located by ticket number.

D. The duties of receiving, recording, and transmitting monies were not adequately segregated.

E. The court collected LET fees on all cases including nonmoving traffic violations.

F. The Municipal Judge had not issued a court order to formally establish the TVB.

G.1. The judge did not always sign the payment agreements with defendants.

2. Index cards for partial pay cases did not always indicate the original amount assessed, additional fees assessed, payments made, or the balance due, and the cards were not reconciled to the report of amounts due and on-hand.

Recommendation:

The city of Curryville Municipal Division:

A. Transmit receipts intact daily or when accumulated receipts exceed $100.

B. Require the judge's signature on the official court docket, and retain court records and documents in accordance with Supreme Court rule.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets issued, and to allow case files to be located by ticket number.

D. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal divisions records by an independent person.

E. Assess and remit LET fees in accordance with state law.

F. Issue a court order to formally establish the TVB.

G.1. Require the judge's signature on all payment agreements.

2. Ensure amounts assessed and paid, and amounts due are adequately documented in court records.

Status:

A. Not implemented. It appears that court receipts are deposited three times per week. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

B,D, E,F, &G.2. Implemented.

C. Not implemented. See MAR No. 3.

G.1. Not implemented. Although the judge does not sign the payment agreements, he does review and approve the court dockets which contain documentation of the

partial payment cases. Although not repeated in the current MAR, the municipal division should still consider implementing this recommendation.

4. City of Elsberry Municipal Division

A separate report was issued by the State Auditor's office for the city of Elsberry Municipal Division and recommendations were included in that report.

5. Village of Eolia Municipal Division

A. The duties of receiving, recording, and transmitting monies were not adequately segregated.

B.1. Fines and court costs were not remitted to the village treasury on a timely basis.

B.2. Amounts deposited and recorded on receipt slips were not reconciled to the control ledger.

B.3 Receipt slips did not indicate the method of payment received.

C. Neither the police department nor the court maintained adequate records to account for traffic tickets issued and their ultimate disposition.

D. Court dockets were not prepared for all cases heard before the Municipal Judge and the case disposition was not indicated in the case file.

E. The Municipal Judge had not issued a court order to formally establish the TVB.

F. The municipal division did not file with the village a monthly report of all cases heard in court.

Recommendation:

The village of Eolia Municipal Division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Ensure all fines, court costs, and CVC fees are remitted to the village treasury and state monthly as required by state law. In addition, the fines and court costs currently on hand in the court's bank account should be disbursed to the village treasury.

2. Reconcile receipts posted to the control ledger to amounts deposited to ensure all receipts have been properly posted.

3. Indicate the method of payment on receipt slips and reconcile total cash, checks, and money orders received to bank deposits.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets issued.

D. Prepare and retain court dockets listing all cases commenced before the court and the disposition of those cases, and require the Judge's signature on these dockets. In addition, the court should ensure the disposition of all cases is included in the case file.

E. Issue a court order to formally establish the TVB.

F. Prepare monthly reports of court action and file these with the village in accordance with state law.

Status:

During the audit period, this village did not operate a municipal division court. Should operations resume, the municipal division should consider implementing these recommendations.

6. City of Foley Municipal Division

A. Receipts were not deposited into the city's bank account on a timely basis.

B. The Municipal Judge had not issued a court order to formally establish the TVB.

Recommendation:

The city of Foley Municipal Division:

A. Deposit receipts intact daily or when accumulated receipts exceed $100.

B. Issue a court order to formally establish the TVB.

Status:

A. Not implemented. See MAR No. 4.

B. Implemented.

7. City of Frankford Municipal Division

A. Receipt slips issued by the municipal division did not indicate the method of payment received.

B. The duties of receiving, recording, and depositing monies were not adequately segregated.

C. The court collected LET fees on all ordinance violations, including nonmoving traffic violations.

Recommendation:

The city of Frankford Municipal Division:

A. Indicate the method of payment on all receipt slips issued, and reconcile total cash, checks, and money orders received to bank deposits.

B. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

C. Assess and remit LET fees in accordance with state law.

Status:

A&B. Not implemented. See MAR No. 5.

C. Implemented.

8. City of Hawk Point Municipal Division

A. The duties of receiving, recording, and transmitting monies were not adequately segregated.

B. The one-write ledger did not indicate the method of payment received.

C. The LET and CVC fees were collected on all violations, including nonmoving traffic violations.

D. The Court Clerk was not bonded.

E. Neither the police department nor the court maintained adequate records to account for summonses issued, and their ultimate disposition.

F. The Municipal Judge did not sign the court docket after case dispositions were recorded.

Recommendation:

The city of Hawk Point Municipal Division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B. Indicate the method of payment in the one-write ledger and reconcile total cash, checks, and money orders received to bank deposits.

C. Assess and remit CVC and LET fees in accordance with state law.

D. Request the city obtain a bond for all persons handling court monies.

E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses issued and to allow case files to be located by the summons number.

F. Require the judge's signature on the court dockets.

Status:

During the audit period, this city did not operate a municipal division court. Should operations resume, the municipal division should consider implementing these recommendations.

9. City of Louisiana Municipal Division

A. The duties of receiving, recording, and depositing monies were not adequately segregated.

B.1. Checks and money orders were not restrictively endorsed until the deposits were prepared.

2. The receipt slips issued by the municipal division did not indicate the method of payment received.

3. The fire and police dispatchers collected fines, court costs, and bonds when the court clerk was not on duty, but were not bonded.

C. Monthly listings of open items were not prepared. The bond account contained old bonds and unidentified amounts.

D.1. A log of summons ticket books assigned to officers was not maintained.

2. Neither the police department nor the court accounted for the numerical sequence of traffic tickets and summonses issued, and their ultimate disposition.

E. The court clerk allowed defendants to pay fines and costs over a period of time; however, adequate procedures to follow-up on amounts owed the court had not been established.

F. The amount of fines and costs collected did not always agree to the TVB schedule and no documentation was available to indicate the Municipal Judge had approved the amounts collected.

G. The LET and CVC fees were collected on all violations, including nonmoving traffic violations.

Recommendation:

The city of Louisiana Municipal Division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Restrictively endorse checks and money orders immediately upon receipt.

2. Indicate the method of payment on all receipt slips issued and reconcile total cash, checks, and money orders received to bank deposits.

3. Request the city obtain bonds for all persons handling court monies.

C. Prepare monthly listings of open items and reconcile these listings to monies held in trust. In addition, the court should follow up on old bonds held by the court, determine their disposition, and dispose of any unclaimed bonds and the unidentified amounts in accordance with state law.

D. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and summonses assigned and issued.

E. Establish procedures to maximize the collection of fines and court costs owed to the court. In addition, all uncollectible accounts receivable should be written off following review and approval by the Municipal Judge.

F. Collect the proper amount of fines and court costs in accordance with the TVB schedule or in accordance with the Municipal Judge's order. In addition, the judge's signature should be required on the court dockets.

G. Assess LET and CVC fees in accordance with state law.

Status:

A,C, &E. Not implemented. See MAR No. 6.

B.1,B.3, F&G. Implemented.

B.2. Partially implemented. The Court Clerk has begun indicating the method of payment on court receipt slips; however, the method of payment is not indicated on dog violation receipt books and police/accident report receipt books. See MAR No. 6.

D. Partially implemented. A log of summons ticket books assigned to officers is now maintained; however, adequate records are not maintained to account for the numerical sequence and disposition of all traffic tickets and summonses issued. See MAR No. 6.

10. City of Old Monroe Municipal Division

A.1. Voided receipt slips were not always retained.

2. The police officers collected fines, court costs, and bonds when the court clerk was not on duty, but were not bonded.

B. Neither the police department nor the court accounted for the numerical sequence of traffic tickets issued, and their ultimate disposition.

C. The court dockets did not adequately indicate the disposition of all cases, and the case number and amount of fines and costs assessed were not indicated on the court docket.

D. The Prosecuting Attorney did not always initial or sign the traffic tickets to document his approval of amendments.

E. The Municipal Judge did not issue a court order to formally establish the TVB.

F. The LET and CVC fees were collected on all traffic violations, but were not collected on non-traffic violations.

G. The duties of receiving, recording, and depositing monies were not adequately segregated.

Recommendation:

The city of Old Monroe Municipal Division:

A.1. Retain all voided receipt slips.

2. Request the city obtain bond coverage for all persons handling court monies.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets issued.

C. Prepare and retain court dockets listing all cases commenced before the court and the disposition of those cases.

D. Require the prosecuting attorney's signature on all amended tickets.

E. Issue a court order to formally establish the TVB.

F. Assess and remit LET and CVC fees in accordance with state law.

G. Adequately segregate duties between available employees and/or establish a documented periodic review of the municipal division records by an independent person.

Status:

A1,
B, D, E,
& F. Implemented.

A.2. Partially implemented. We noted no instances where police officers collected monies during the audit period. However, the court should consider appropriate bonding coverage in the future if a similar situation arises.

C. Partially implemented. The case numbers are now recorded on the court dockets, but the case dispositions, including the fines and costs assessed, are omitted. See MAR No. 7.

G. Not implemented. See MAR No. 7.

11. City of Troy Municipal Division

A. The duties of receiving, recording, and depositing monies were not adequately segregated.

B.1. Police officers and various other city employees collected fines, court costs, and bonds when the Court Clerk was not on duty, but were not bonded.

B.2. Receipts were not deposited to the court account or transmitted to the city intact, and cash collections were sometimes used to cash bond refund checks.

B.3. Fines and court costs collected for traffic and ordinance violations were transmitted to the city daily, but copies of the court receipts or one-write ledger were not turned in to the city with these monies.

B.4. Receipt slips were not obtained for court monies transmitted to the city.

B.5. The one-write ledger did not indicate the method of payment received.

C. Records of bond forms assigned to police officers and the Court Clerk were not maintained, and the numerical sequence was not accounted for adequately.

D. Neither the police department nor the court accounted for the numerical sequence of traffic tickets issued, and their ultimate disposition.

Recommendation:

The city of Troy Municipal Division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Request the city obtain bonds for all persons handling court monies.

2. Deposit or transmit all receipts intact daily or when accumulated receipts exceed $100. If necessary, a separate change fund should be established.

3. Work with the city to ensure that the numerical sequence of receipt slips issued by the court are accounted for properly.

4. Obtain receipt slips for all monies transmitted to the city.

5. Indicate the method of payment in the one-write ledger and reconcile total cash, checks, and money orders received to bank deposits or transmittals.

C. Work with the police department to ensure records are maintained to account for the numerical sequence of bond forms.

D. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.

Status:

A, B1,
B3, B4,
& B5. Implemented.

B.2. Partially implemented. A separate change fund has been established. Collections are now deposited and transmitted intact, although not always daily or when accumulated receipts total $100. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

C. Partially implemented. A log of bond forms assigned to the individual officers is now maintained and the Court Clerk accounts for the numerical sequence of bond forms issued. However, we noted a few instances where the bond forms were not issued in numerical order. Although not repeated in the current MAR, the municipal division should ensure that bond forms are issued in numerical order.

D. Not implemented. See MAR No. 8.

CITY OF BOWLING GREEN, MISSOURI

Municipal Court Division

A.1. The Court Clerk withheld cash from deposits to use as change during court night. Cash receipts totaling $452 were withheld from deposits for over ten days after receipt.

2. The Court Clerk did not agree the composition of recorded receipts to the composition of deposits.

B. Summons forms, which were used for non-traffic violations, were not prenumbered. Also, records were not maintained to account for the numerical sequence of traffic tickets issued and the ultimate disposition of each ticket.

Recommendation:

The city of Bowling Green Municipal Division:

A.1. Deposit receipts intact daily or when accumulated receipts exceed $100. In addition, the division should request the city establish a change fund to be used by the court.

2. Agree the composition of receipts to the composition of the deposit and indicate which recorded receipts are included in each deposit.

B. Request the police department issue prenumbered summons forms, and work with the police department to ensure records are maintained to account for the numerical sequence of all tickets and summonses issued. In addition, the municipal division should ensure the listing of tickets and summonses issued is reviewed and any missing documents are accounted for properly.

Status:

A. Implemented.

B. Not implemented. See MAR No. 1.

FORTY-FIFTH JUDICIAL CIRCUIT
CITY OF ELSBERRY, MISSOURI
MUNICIPAL DIVISION
TWO YEARS ENDED DECEMBER 31, 1993

1. Missing Funds

During January 1, 1992 through June 30, 1994, fines and court costs received by the Court Clerk and totaling approximately $1,091 were not deposited to the municipal division's bank account.

Recommendation:

The municipal division:

A. Along with the city and applicable law enforcement agencies, review court and city collections to ensure all monies received are accounted for properly.

B. Along with the city take necessary actions to obtain restitution for all missing funds.

Status:

A&B. Stealing and forgery charges were filed against the former Court Clerk. Restitution of $1,240 was made to the city in February 1998 and the charges were dismissed.

2. Receipt Procedures

A. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

B. Three pages of the one-write ledger were not retained for late December 1993, and January and early February 1994. The Court Clerk indicated these pages were accidentally discarded.

C. Receipts were not deposited to the court's bank account on a timely basis. In addition, employees were also allowed to cash personal checks from court cash receipts on hand.

D. Voided receipt slips were not always retained.

E. The one-write ledger used by the municipal division did not indicate the method of payment received.

F. Several payments made on cases were not recorded in the one-write ledger. However, these payments were recorded in case files.

G. The receipt slips issued by the police department for bond collections were prenumbered; however, the numerical sequence of these receipt slips was not accounted for properly.

Recommendation:

The municipal division:

A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B. Retain all court records and documents in accordance with the Supreme Court rule.

C. Deposit receipts intact daily or when accumulated receipts exceed $100. In addition, the municipal division should not allow employees to cash personal checks from court receipts.

D. Retain all voided receipt slips.

E. Indicate the method of payment in the one-write ledger and reconcile total cash, checks, and money orders received to bank deposits.

F. Record all receipts in the one-write ledger.

G. Ensure the numerical sequence of receipt slips issued by the police department for bonds are accounted for properly.

Status:

During the audit period, this city did not operate a municipal division court. Should operations resume, the municipal division should consider implementing these recommendations.

3. Court Records and Procedures

A. Neither the police department nor the court accounted for the numerical sequence of traffic tickets assigned and issued, and their ultimate disposition.

B. The municipal division did not file with the city a monthly report of all cases heard in court.

C. While the city had established a TVB that allows traffic offenses to be paid prior to the court date, the Municipal Judge had not issued a court order to formally establish the TVB.

D. The CVC fees and LET fees were not collected as provided for by law.

Recommendation:

The municipal division:

A. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.

B. Prepare monthly reports of court action and file these with the city in accordance with state law.

C. Issue a court order to formally establish the TVB.

D. Assess and remit CVC and LET fees in accordance with state law.

Status:

During the audit period, this city did not operate a municipal division court. Should operations resume, the municipal division should consider implementing these recommendations.

STATISTICAL SECTION

History, Organization, and
Statistical Information

FORTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Forty-Fifth Judicial Circuit is composed of Lincoln and Pike counties. The Honorable Fred Rush serves as Presiding Judge. There are eight municipal divisions within the Forty-Fifth Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality, the county, or the state of Missouri, as applicable.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Bowling Green

   Organization

   The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The Deputy Court Clerk is responsible for collecting and recording TVB transactions. Fines and court costs are deposited into a court bank account and transmitted by check to the city treasury and state monthly. Bond monies are deposited in a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

   Personnel

Municipal Judge*	W.G. Geissert
Court Clerk**	Vivian Lee
Deputy Court Clerk	Angie Korte

   * Boyd Haddock served as Municipal Judge prior to April 1998.
   ** Joyce Fisher served as Court Clerk prior to May 1998.

Caseload Information

	Year Ended September 30, 1998
Number of cases filed	431

2. City of Clarksville

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court. Because the city has been without a police officer since December 1996, no court has been held or cases processed since June 1997.

Personnel

Municipal Judge	Joseph Allwood
City Clerk/Court Clerk	Bernita Dennis

Caseload Information

	Year Ended December 31,	
	1998	1997
Number of cases filed	0	2

3. City of Curryville

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. A police department dispatcher collects fines and costs during court, and when the Court Clerk is not available. Bonds, fines, and court costs are transmitted to the City Treasurer for deposit into a city escrow account. Monies are disbursed by check from this account to the state and city treasury monthly. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Donald Watts
City Clerk/Court Clerk*	Barbara Smith

*Melissa Pritzer served as Court Clerk from January 1997 to November 1997.

Caseload Information

	Year Ended December 31,	
	1998	1997
Number of cases filed	1,542	1,581

4. City of Foley

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The City Clerk receives fines and court costs when the Court Clerk is not present. Fines, court costs, and bonds are deposited directly into the city treasury approximately once a month. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	William W. Cheeseman
Court Clerk	Tina Simons

Caseload Information

	Year Ended December 31,	
	1998	1997
Number of cases filed	293	402

5. City of Frankford

Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The City Clerk is responsible for disbursements. Fines and court costs are deposited into a court bank account and are transmitted by check to the city treasury and state monthly. Bond monies are deposited into a court bank account pending disposition. Court is held once every three months. Although it has not been formally established, a TVB receives payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	John Markell
Court Clerk*	Joyce Fisher

* Patricia Chandler served as Court Clerk prior to June 1997.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	141	50

6. City of Louisiana

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited into a court bank account. Fines and court costs are transmitted by check to the city treasury monthly. Bond monies are maintained in the court bank account pending disposition. The police dispatchers receive bonds, fines, and court costs when the Court Clerk is not present. The Court Clerk collects and deposits these monies daily. The municipal division occasionally collects monies for copies of police and accident reports, restitution for victims, and dog violation fines. Restitution payments are deposited into and disbursed from a court bank account, while report copies and dog violation fine monies are held and transmitted to the city treasury monthly. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Bruce McGuire
Court Clerk	Patricia Chandler

*David Ash served as Municipal Judge prior to May 1998.

Caseload Information

	Year Ended May 31,	
	1998	1997
Number of cases filed	478	426

7. City of Old Monroe

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds were deposited to the city's general account prior to August 1997. Beginning in August 1997, the court maintains a bank account for fines and court costs, which are transmitted by check to the city treasury and state monthly. Beginning in September 1998, bond monies are deposited into another court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Patrick Coyne
City Clerk/Court Clerk**	Amy Spencer

*Andrew Koor served as Municipal Judge prior to March 1997.
**Tona Sitze served as City Clerk/Court Clerk prior to October 1997.

Caseload Information

	Year Ended December 31,	
	1998	1997
Number of cases filed	339	391

8. City of Troy

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are transmitted to the City Clerk for deposit in the city treasury. The police department receives bond monies when the Court Clerk is not present. The municipal division maintains a bank account for bonds and bad check collections, and restitution. Court is held twice each month. A TVB has been established to receive payment of fines and court costs at times other than during court. The Associate Circuit Judge of Lincoln County serves as the judge for this municipality.

Personnel

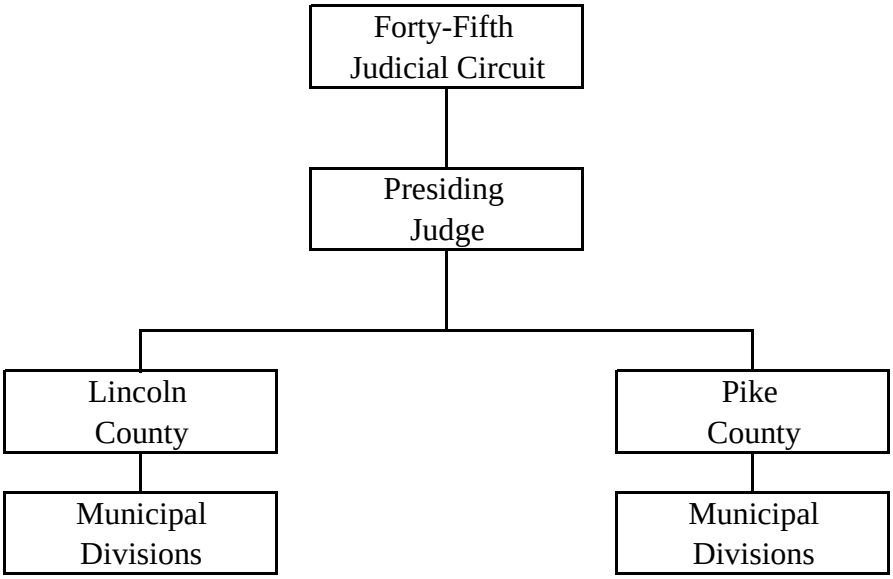
Associate Circuit Judge	Patrick Flynn
Court Clerk*	Carol Gibson

*Deborah Brodt served as the Court Clerk prior to November 1997.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed:		
Traffic/Municipal Ordinance	978	1,250
Insufficient Fund Checks	1,053	1,335

FORTY-FIFTH JUDICIAL CIRCUIT
ORGANIZATION CHART



City of Foley
City of Old Monroe
City of Troy

City of Bowling Green
City of Clarksville
City of Curryville
City of Frankford
City of Louisiana

* * * * *

AUDIT REPORT

SIXTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

TWO YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-30
May 3, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following audit report presents our findings and recommendations for the municipal divisions of the Sixth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Camden Point *pages 27-28*

City of Edgerton *pages 28-29*

City of Northmoor *pages 29-30*

City of Platte City *pages 30-32*

City of Platte Woods *pages 32-33*

City of Tracy *pages 34-38*

City of Weatherby Lake *pages 38-39*

City of Weston *pages 39-40*

We had no findings or recommendations for the municipal divisions of the **City of Dearborn**, the **City of Houston Lake**, the **City of Lake Waukomis**, the **City of Parkville**, and the **City of Riverside**.

Actions taken by the various municipal divisions of the Sixth Judicial Circuit on recommendations made in our prior report are noted on pages 41-60.

YELLOW SHEET

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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MUNICIPAL DIVISIONS

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STATISTICAL SECTION

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Sixth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996) of the Sixth Judicial Circuit as of and for the years ended October 31, 1998 and 1997; September 30, 1998 and 1997; June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1997 and 1996, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four and five, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Sixth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Internal control procedures and accounting records of the city of Platte City Municipal Division were inadequate. Records to account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued were not maintained and some of the traffic tickets selected for review could not be located. As a result, we were unable to satisfy ourselves by appropriate audit

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tests or other means as to receipts and disbursements of fines and court costs beyond amounts recorded in the municipal division's records for the years ended October 31, 1998 and 1997.

Internal control procedures and accounting records of the city of Camden Point Municipal Division were inadequate. Records to account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued by the city of Camden Point Police Department were not maintained and some of the tickets could not be provided by the municipal division or the police department for our review. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines and court costs beyond amounts recorded in the City of Camden Point Municipal Division's records for the years ended December 31, 1997 and 1996.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1,* requires disclosure of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. The various municipal divisions of the Sixth Judicial Circuit have omitted such disclosures. We do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal divisions do business will become year 2000-compliant.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding three paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996) of the Sixth Judicial Circuit as of and for the years ended October 31, 1998 and 1997; September 30, 1998 and 1997; June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1997 and 1996, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

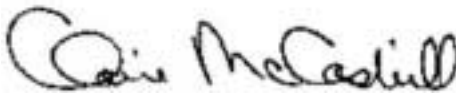
We also had planned to audit the accompanying special-purpose financial statement of the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996. This special-purpose financial statement is the responsibility of the municipal division's management.

Records were insufficient to verify the amounts presented as receipts and disbursements of fines and court costs by the city of Tracy Municipal Division. Records to account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued were not maintained. Some tickets and summonses, as well as various other accounting records, were not available of our review. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines and court costs for the years ended December 31, 1997 and 1996.

Because of the effects of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 3, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 3, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Sixth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996) of the Sixth Judicial Circuit as of and for the years ended October 31, 1998 and 1997; September 30, 1998 and 1997; June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1997 and 1996, and have issued our report thereon dated March 3, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Sixth Judicial Circuit for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statement of the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated March 3, 1999. In that report we did not express an opinion on the special-purpose financial statement.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Sixth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain

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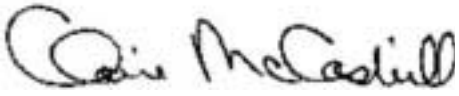
other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Sixth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Sixth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 3, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Platte City Year Ended October 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 63,285	59,516
Total Receipts	63,285	59,516
DISBURSEMENTS		
City treasury	47,136	50,556
State of Missouri	3,260	2,806
Refunds and other	8,172	6,334
Total Disbursements	58,568	59,696
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,717	-180
CASH, NOVEMBER 1	8,092	8,272
CASH, OCTOBER 31	$ 12,809	8,092

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Platte Woods Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 28,437	19,743
Total Receipts	28,437	19,743
DISBURSEMENTS		
City treasury	24,845	17,709
State of Missouri (Note 3)	0	0
Refunds and other	3,565	2,097
Total Disbursements	28,410	19,806
RECEIPTS OVER (UNDER) DISBURSEMENTS	63	-63
CASH, OCTOBER 1	1,305	1,368
CASH, SEPTEMBER 30	$ 1,368	1,305

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Houston Lake Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 6,805	5,422
Total Receipts	6,805	5,422
DISBURSEMENTS		
City treasury	6,765	4,604
State of Missouri	398	228
Refunds and other	44	0
Total Disbursements	7,207	4,832
RECEIPTS OVER (UNDER) DISBURSEMENTS	-402	590
CASH, JULY 1	785	195
CASH, JUNE 30	$ 383	785

The accompanying Notes to the Financial Statements are an integral part of this statement.

CVC - Monies are disbursed 95% to the state.

Indepdendent Living Center-Monies are disbursed to the state.

Peace Oficer Standards and Training Commission Fee-Monies are disbursed to the state.

Comments/Conclusions: No additional evidence was discovered during audit work that would indicate that audit risk assessments made during planning were inappropriate. Amounts appear to be fairly stated. All audit objectives listed in the audit plan have been achieved. No unusual or unexpected items or relationships were noted. The audit work has been adequately documented to support the audit opinion which is unqualified.

Exhibit C

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Northmoor Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 32,810	34,001
Total Receipts	32,810	34,001
DISBURSEMENTS		
City treasury	29,516	32,800
State of Missouri	2,158	1,616
Refunds and other	790	625
Total Disbursements	32,464	35,041
RECEIPTS OVER (UNDER) DISBURSEMENTS	346	-1,040
CASH, JULY 1	1,126	2,166
CASH, JUNE 30	$ 1,472	1,126

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Riverside Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 217,196	194,748
Total Receipts	217,196	194,748
DISBURSEMENTS		
City treasury	184,959	164,281
State of Missouri	12,766	9,285
Refunds and other	20,821	20,530
Total Disbursements	218,546	194,096
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,350	652
CASH, JULY 1	12,378	11,726
CASH, JUNE 30	$ 11,028	12,378

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Lake Waukomis Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 4,561	1,482
Total Receipts	4,561	1,482
DISBURSEMENTS		
City treasury	3,754	1,341
State of Missouri	311	99
Refunds and other	333	50
Total Disbursements	4,398	1,490
RECEIPTS OVER (UNDER) DISBURSEMENTS	163	-8
CASH, MAY 1	42	50
CASH, APRIL 30	$ 205	42

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Camden Point Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 1,104	66
Total Receipts	1,104	66
DISBURSEMENTS		
City treasury	1,102	65
State of Missouri (Note 3)	0	0
Total Disbursements	1,102	65
RECEIPTS OVER (UNDER) DISBURSEMENTS	2	1
CASH, JANUARY 1	64	63
CASH, DECEMBER 31	$ 66	64

The accompanying Notes to the Financial Statements are an integral part of this statement.

CVC - Monies are disbursed 95% to the state.

Comments/Conclusions: No additional evidence was discovered during audit work that would indicate that audit risk assessments made during planning were inappropriate. Amounts appear to be fairly stated. All audit objectives listed in the audit plan have been achieved. No unusual or unexpected items or relationships were noted. The audit work has been adequately documented to support the audit opinion which is unqualified.

Exhibit E

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Dearborn Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 16,102	12,214
Total Receipts	16,102	12,214
DISBURSEMENTS		
City treasury	15,170	9,687
State of Missouri	777	588
Refunds and other	982	1,380
Total Disbursements	16,929	11,655
RECEIPTS OVER (UNDER) DISBURSEMENTS	-827	559
CASH, JANUARY 1	1,959	1,400
CASH, DECEMBER 31	$ 1,132	1,959

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Edgerton Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 2,071	1,625
Total Receipts	2,071	1,625
DISBURSEMENTS		
City treasury	1,897	1,325
State of Missouri (Note 3)	0	0
Refunds and other	174	50
Total Disbursements	2,071	1,375
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	250
CASH, JANUARY 1	250	0
CASH, DECEMBER 31	$ 250	250

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Parkville Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 255,808	259,533
Total Receipts	255,808	259,533
DISBURSEMENTS		
City treasury	208,591	215,149
State of Missouri	10,286	6,816
Refunds and other	27,115	38,702
Total Disbursements	245,992	260,667
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,816	-1,134
CASH, JANUARY 1	7,004	8,138
CASH, DECEMBER 31	$ 16,820	7,004

The accompanying Notes to the Financial Statements are an integral part of this statement.

CVC - Monies are disbursed 95% to the state.

Independent Living Center - Monies are disbursed to the state.

Peace Officer Standards and Training Commission Fee - Monies are disbursed to the state.

Comments/Conclusions: No additional evidence was discovered during audit work that would indicate that audit risk assessments made during planning were inappropriate. Amounts appear to be fairly stated. All audit objectives listed in the audit plan have been achieved. No unusual or unexpected items or relationships were noted. The audit work has been adequately documented to support the audit opinion which is unqualified.

Exhibit E

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Tracy Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, and other	$ 11,843	7,080
Total Receipts	11,843	7,080
DISBURSEMENTS		
City treasury	11,260	7,280
State of Missouri (Note 3)	0	0
Total Disbursements	11,260	7,280
RECEIPTS OVER (UNDER) DISBURSEMENTS	583	-200
CASH, JANUARY 1	1,667	1,867
CASH, DECEMBER 31	$ 2,250	1,667

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Weatherby Lake Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 25,513	14,979
Total Receipts	25,513	14,979
DISBURSEMENTS		
City treasury	23,403	14,351
State of Missouri (Note 3)	0	0
Refunds and other	1,023	631
Total Disbursements	24,426	14,982
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,087	-3
CASH, JANUARY 1	1,286	1,289
CASH, DECEMBER 31	$ 2,373	1,286

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Weston Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 15,325	8,754
Total Receipts	15,325	8,754
DISBURSEMENTS		
City treasury	11,252	7,130
State of Missouri (Note 3)	0	0
Refunds and other	3,428	1,244
Total Disbursements	14,680	8,374
RECEIPTS OVER (UNDER) DISBURSEMENTS	645	380
CASH, JANUARY 1	656	276
CASH, DECEMBER 31	$ 1,301	656

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Sixth Judicial Circuit of the state of Missouri. The village of Ferrelview Municipal Division began operations during 1998. Since this division had not completed a fiscal year, the village of Ferrelview Municipal Division has not been included in this report.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998, 1997, and 1996, all bank account balances reported for the municipal divisions of the Sixth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the judgment for the Motorcycle Safety Trust Fund, the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the cities of Dearborn, Houston Lake, Lake Waukomis, Northmoor, Parkville, Platte City, Riverside, and Tracy. Amounts remitted by the cities to the state are not included in the financial statements.

The city of Tracy Municipal Division did not remit the state's portion of the surcharge for the Crime Victims' Compensation and Services during 1997 and 1996.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996) of the Sixth Judicial Circuit as of and for the years ended October 31, 1998 and 1997; September 30, 1998 and 1997; June 30, 1998 and 1997; April 30, 1998 and 1997; and December 31, 1997 and 1996, and have issued our report thereon dated March 3, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Sixth Judicial Circuit for the applicable fiscal periods.

We also had planned to audit the special-purpose financial statement of the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated March 3, 1999. In that report we did not express an opinion on the special-purpose financial statement.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Camden Point Municipal Division

A. The duties of receiving, recording, and depositing court monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Neither the police department nor the court maintains records to account for the numerical sequence and ultimate disposition of traffic tickets and summonses. The police department does not maintain a log of ticket books assigned to officers or records accounting for the numerical sequence and ultimate disposition of each ticket and summons issued. Some tickets selected for testing could not be provided by the municipal division or the police department for our review. In addition, the summonses are not prenumbered and cannot be accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets and summonses, the police department and the municipal division cannot be assured all tickets and summonses issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets and summonses as well as the ultimate disposition of each document.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Camden Point Municipal Division:

A. Establish a documented periodic review of municipal division records by an independent person to include a comparison of receipt slips issued to amounts deposited.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued.

AUDITEE'S RESPONSE

The Court Clerk concurred with the recommendations.

2. City of Edgerton Municipal Division

A. The duties of receiving, recording, and depositing court monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Our review noted the following concerns related to receipts:

1) Receipt slips are not issued for some monies received and are not issued in numerical sequence. To adequately account for all receipts and ensure all receipts are deposited intact, a prenumbered receipt slip should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

2) The composition of receipt slips issued is not reconciled to bank deposits. To ensure receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of bank deposits.

C. Neither the police department nor the court maintains records to account for the numerical sequence and ultimate disposition of traffic tickets and summonses. The police department does not maintain a log of ticket books assigned to officers. In addition, the summonses are not prenumbered and cannot be accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets and summonses, the police department and the municipal division cannot be assured all tickets and summonses issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets and summonses as well as the ultimate disposition of each document.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Edgerton Municipal Division:

A. Establish a documented periodic review of municipal division records by an independent person to include a comparison of receipt slips issued to amounts deposited.

B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips.

2. Reconcile the composition of receipts to the composition of bank deposits.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued.

AUDITEE'S RESPONSE

The Court Clerk concurred with the recommendations.

3. City of Northmoor Municipal Division

A. Fines and costs collected by the court are not deposited on a timely basis. Fines and court costs are generally deposited three times a month and average in excess of $800. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

B. Neither the police department nor the court maintains records to account for the numerical sequence and ultimate disposition of summonses issued. The police department maintains a log of summons books assigned to officers; however, records accounting for the numerical sequence and showing the ultimate disposition for each summons issued are not maintained.

Without a proper accounting for the numerical sequence and ultimate disposition of summonses, the police department and the municipal division cannot be assured all summonses issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all summonses as well as the ultimate disposition of each summons.

C. The court allows defendants to make partial payments on fines and court costs due. A control ledger accounting for the balances due from defendants has not been established. The Court Clerk prepared a receivable listing as of August 1998 totaling over $4,000. A control ledger would assist the court in determining the correct balance due from each defendant and could aid in subsequent collection efforts. The court orders documenting the partial payment agreements should be reconciled to the control ledger periodically to ensure all partial payments received and amounts due the court are properly recorded.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the city of Northmoor Municipal Division:

A. Deposit fines and costs daily or when accumulated receipts exceed $100.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses issued.

C. Establish a control ledger for amounts due from defendants and periodically reconcile it to court orders permitting partial payments.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A&C. We concur, this has been implemented.

B. We concur.

4. City of Platte City Municipal Division

A. Fines and costs collected by the court are not deposited intact or on a timely basis. One deposit was noted which appeared to be $46 less than recorded receipts. Fines and court costs are generally deposited into the court's account twice a week and average in excess of $400. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

B. The court allows defendants to make partial payments on fines and court costs due. A control ledger accounting for the balances due from defendants has been established, but has not been updated for a year. The current Court Clerk has indicated that approximately $4,200 is currently due to the court. An updated control ledger would assist the court in determining the correct balance due from each defendant and could aid in subsequent collection efforts. The court orders documenting the partial payment agreements should be reconciled to the control ledger periodically to ensure all partial payments received and amounts due the court are properly recorded.

C. Neither the police department nor the court maintains adequate records to account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued. The police department maintains a listing of ticket and summonses books assigned to police officers; however, records accounting for the numerical sequence and ultimate disposition of each ticket and summons issued are not maintained. In addition, two of sixty tickets selected for testing could not be provided by the municipal division or the police department for our review.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets and summonses, the police department and the municipal division cannot be assured all tickets and summonses issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets and summonses as well as the ultimate disposition of each document.

D. Bond forms used by the police department to document the receipt of bond monies from a defendant are not prenumbered.

To adequately account for bond monies, prenumbered bond forms should be issued for all bonds received by the police department and the numerical sequence should be accounted for properly.

E. Our review noted three of thirty-six applicable offenses reviewed involving point violations were not forwarded to the Missouri State Highway Patrol (MSHP) as required by state law. Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

F. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

Conditions similar to B and F were also noted in our prior report.

WE RECOMMEND the city of Platte City Municipal Division:

A. Deposit fines and costs intact daily or when accumulated receipts exceed $100.

B. Establish a control ledger for amounts due from defendants and periodically reconcile it to court orders permitting partial payments.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued.

D. Work with the police department to ensure prenumbered bond forms are issued and the numerical sequence is accounted for properly.

E. Forward all records of convictions on traffic offenses to the MSHP within ten days as required by state law.

F. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. We agree.

B. We agree and are working on this.

C,D, & E. We concur.

F. We concur and are now doing this.

5. City of Platte Woods Municipal Division

A. The duties of receiving, recording, and depositing court monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Receipt slips are not issued for monies received through the mail. To adequately account for all receipts and ensure all receipts are deposited intact, a prenumbered receipt slip should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

A similar condition was also noted in our prior report.

C. The court allows defendants to make partial payments on fines and court costs due. A control ledger accounting for the balance due from defendants has not been established. A control ledger would assist the court in determining the correct balance due from each defendant and could aid in subsequent collection efforts. The court orders documenting the partial payment agreements should be reconciled to the control ledger periodically to ensure all partial payments received and amounts due the court are properly recorded.

D. A court docket, listing the cases scheduled to appear in court, is prepared; however, the court docket is not always complete and accurate. During our review, three of twenty-five tickets tested had information that did not agree to the court docket. Two of the tickets showed assessed costs different than the costs listed on the court docket and one ticket was not on the docket. Section 479.070, RSMo 1994, requires the proceeding for every case be entered on the docket.

WE RECOMMEND the city of Platte Woods Municipal Division:

A. Establish a documented periodic review of municipal division records by an independent person to include a comparison of receipt slips issued to amounts deposited.

B. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

C. Establish a control ledger for amounts due from defendants and periodically reconcile it to court orders permitting partial payments.

D. Ensure every case commenced before the court is entered on the court dockets accurately.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk concurred with the recommendations.

6. City of Tracy Municipal Division

A. The city of Tracy Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. The City Clerk serves as the Court Clerk and is responsible for the receipting, recording, and depositing of court monies. Prenumbered receipt slips are issued for monies received. Court receipts are recorded in a manual receipts ledger. Court monies collected are deposited to a court bank account and are remitted by check to the city for deposit into the city treasury. Any bond monies collected are deposited in a separate bank account.

During our review, we noted the following monies that were collected by the court but not deposited into the court bank account:

	Year Ended December 31,	
	1997	1996
Fines and costs not deposited	$210	135

The monies that are unaccounted for appear to represent receipts which were received and recorded but not deposited. We also noted several instances in which checks or money orders were deposited but not recorded. The unaccounted for amounts identified above were determined by reviewing all deposits in 1997 and 1996. All recorded receipts received during the period January through September 1998, were also reviewed and appear to have been deposited.

These unaccounted for funds were undetected due to numerous internal control weaknesses, including no documented reconciliations comparing recorded receipts to deposits and the lack of an independent review.

B. The duties of receiving, recording, and depositing fine and court cost monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

C. Receipt slips are not issued for some monies received. To adequately account for all receipt slips and ensure all receipts are deposited intact, a prenumbered receipt slip

should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

D. Fines and costs collected by the court are not deposited intact on a timely basis. Receipts are generally deposited every few months and average in excess of $1,000. In addition, the deposit slips nor the receipt records indicate the individual receipts composing the deposits. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100 and the individual receipts composing the deposits should be indicated.

E. Bank reconciliations have not been performed on the court's bank accounts for several years. In addition, the municipal division does not maintain a running balance in the checkbook register for either court account. To ensure all differences between the bank and book balances are noted in a timely manner, bank reconciliations should be performed monthly and a running balance should be maintained in the checkbook registers.

F. The court allows defendants to make partial payments on fines and court costs due. A control ledger accounting for the balances due form defendants has not been established. We noted over sixty cases during our review where it did not appear the defendants had made the required payment on their ticket. A control ledger would assist the court in determining the correct balance due from each defendant and could aid in subsequent collection efforts. The court orders documenting the partial pay agreements should be reconciled to the control ledger periodically to ensure all partial payments received and amounts due to the court are properly recorded.

G. During our review, we noted the following concerns relating to bonds:

1) The Court Clerk does not maintain a bond ledger. A complete bond ledger indicating the related case, date and amount of receipt, and date of disbursement is necessary to ensure proper accountability of bond collections.

2) Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. Although according to court records there was no bond activity for our audit period, the bond bank account has a $743 unidentified balance. Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. In addition, an attempt should be made to determine the proper disposition of these excess monies. For those monies which remain unclaimed, Section 447.595, RSMo 1994, requires funds remaining unclaimed for one year after disposition of the case to be turned over to the state's Unclaimed Property Section.

H. A court docket is prepared, however, not every case appears on the docket and dispositions were not noted for numerous cases which did appear on the docket. Section 479.070, RSMo 1994, requires the proceeding for every case to be entered on the docket. To ensure cases have been accounted for properly, all cases should be listed on the court docket.

I. Neither the police department nor the court maintains adequate records to account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued. The police department maintains a log of traffic tickets issued, but our review found this log to be incomplete. Three traffic tickets issued could not be provided by the municipal division or the police department for our review. In addition, summonses forms are not prenumbered.

   Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets and summonses, the police department and the municipal division cannot be assured that all traffic tickets and summonses issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets and summonses as well as the ultimate disposition of each document. In addition, the court should request the police department obtain prenumbered summonses forms.

J. The Court Clerk does not always forward records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). During our review of case files we noted that in most cases the required records were not forwarded. Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinances to be forwarded to the MSHP within ten days of the conviction date.

K. The municipal division does not disburse the state's portion of the Crime Victims Compensation (CVC) fee on cases for which it is collected. The division did not disburse CVC fees to the state during 1996 and 1997. We could not determine the amount due to the state by the municipal division. Section 595.045, RSMo Cumulative Supp. 1998, requires 95 percent of such fees be paid to the state at least monthly.

Conditions similar to B, C, D, E, G, H, I, and K were also noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Tracy Municipal Division as of and for the years ended December 31, 1997 and 1996. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Tracy Municipal Division:

A. Along with the city, take the necessary action to account for the fines received but not deposited.

B. Establish a documented periodic review of municipal division records by an independent person to include a comparison of receipt slips issued to amounts deposited.

C. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

D. Deposit fines and costs intact daily or when accumulated receipts exceed $100 and indicate the individual receipts composing the deposits.

E. Ensure monthly bank reconciliations are performed and that a running balance is maintained in the checkbook registers.

F. Establish a control ledger for amounts due from defendants and periodically reconcile it to the court orders permitting partial payments. In addition, follow up action should be initiated for defendants failing to make their payments.

G.1. Maintain a complete bond ledger for bond receipts and disbursements.

2. Prepare monthly open items listings and reconcile these listings with monies held in trust. In addition, the municipal division should attempt to identify to whom the $743 belongs and disburse the funds appropriately. If this cannot be determined, the excess monies should be turned over to the state's Unclaimed Property Section in accordance with state law.

H. Ensure every case commenced before the court is entered on the court dockets along with the disposition of the case.

I. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued and request the police department begin using prenumbered summonses.

J. Forward records of convictions on traffic offenses to the MSHP as required by state law.

K. Ensure CVC fees collected are remitted to the state in accordance with state law. In addition, the municipal division should determine the amount of unremitted CVC fees due to the state and make the appropriate payment.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. We concur and are currently looking into this.

B. We concur. Either the Judge or the City Treasurer will supervise the Court Clerk's duties in the future.

C. We concur. The new Court Clerk is now doing this.

D,F,G, H,I,J, & K. We concur.

E. The new Court Clerk will ensure these are done in the future.

7. City of Weatherby Lake Municipal Division

A. Fines and costs collected by the court are not transmitted to the city on a timely basis. Fines and court costs are generally deposited to the city treasury once a month and average in excess of $1,600. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits and transmittals should be made daily or when accumulated receipts exceed $100.

B. The municipal division's bank account requires two signatures for all disbursements. However, the Court Clerk indicated that checks are occasionally signed in advance. The practice of signing checks in advance does not allow for proper review of the documentation to support the disbursements and diminishes the control intended by multiple signatures.

C. Neither the police department nor the court maintains records to account for the numerical sequence and ultimate disposition of summonses.

Without a proper accounting for the numerical sequence and ultimate disposition of summonses, the police department and the municipal division cannot be assured all summonses issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all summonses as well as the ultimate disposition of each summons.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Weatherby Lake Municipal Division:

A. Transmit fines and costs to the city daily or when accumulated receipts exceed $100.

B. Discontinue the practice of signing checks in advance.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk concurred with the recommendations.

8. City of Weston Municipal Division

A. The duties of receiving, recording, and depositing bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Receipt slips are not always issued by the Court Clerk for bond monies received from police officers. To adequately account for all receipts and ensure all receipts are properly deposited in the city treasury, a prenumbered receipt slip should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

C. The court allows defendants to make partial payments on fines and court costs due. A control ledger accounting for the balances due from defendants has not been established. A control ledger would assist the court in determining the correct balance due from each defendant and could aid in subsequent collection efforts. The court orders documenting the partial payment agreements should be reconciled to the control ledger periodically to ensure all partial payments received and amounts due the court are properly recorded.

Conditions similar to B and C were also noted in our prior report.

WE RECOMMEND the city of Weston Municipal Division:

A. Establish a documented periodic review of municipal division records by an independent person to include a comparison of receipt slips issued to amounts deposited.

B. Issue prenumbered receipt slips for all monies received.

C. Establish a control ledger for amounts due from defendants and periodically reconcile it to court orders permitting partial payments.

AUDITEE'S RESPONSE

The Court Clerk concurred with the recommendations.

This report is intended for the information of the management of the various municipal divisions of the Sixth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Sixth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1993 and 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Camden Point Municipal Division

A. The duties of receiving, recording, and depositing court receipts were not adequately segregated.

B.1. Checks were not restrictively endorsed until the deposits were prepared.

2. There were two instances where receipt slips were not issued for bonds and fines and court costs totaling $280.

3. Receipt slips were not issued to the police department for cash bonds transmitted to the court.

C. Monthly listings of open items (liabilities) were not prepared.

D. Formal bank reconciliations for the municipal division's bank account were not prepared.

E. The municipal division had not formally established a TVB and did not have a schedule of fines and costs posted at the TVB.

F. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant on a payment plan had not been established.

G.1. The $5 CVC fee and the $2 LET fee were not charged in accordance with state law.

2. CVC fees collected by the court were turned over to the city; however, the city did not always remit the money to the Department of Revenue monthly.

H. The court collected excess court costs.

I. The court did not charge the ILC Fund fee on drug-related offenses and intoxication-related offenses.

J. Neither the police department nor the court maintained adequate records to account for all summons forms.

Recommendations:

The city of Camden Point Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Restrictively endorse all checks immediately upon receipt.

2. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

3. Issue prenumbered receipt slips to the police department for all cash bonds received and reconcile receipt slips issued to bank deposits.

C. Prepare monthly listings of open items (liabilities) and reconcile these listing to monies held in trust by the court.

D. Perform and formally document monthly bank reconciliations.

E. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

F. Establish a control ledger and periodically reconcile it to the payment agreements.

G.1. Collect the $5 CVC fee and the $2 LET fee in accordance with state law.

2. Ensure all CVC fees are remitted to the state monthly as required by state law.

H. Collect court costs of $12 as allowed by state law.

I. Collect and remit the $5 ILC fee in accordance with state law.

J. Work with the police department to ensure records are maintained to account for the numerical sequence of all summons forms.

Status:

A.&J. Not implemented. See MAR No. 1.

B.1. Not implemented. The Court Clerk endorses checks when the deposit is made. Although not repeated in the current MAR, our recommendation remains as stated above.

B.2, B.3,
E.,G.1,
&H. Implemented.

C. &
I. Not implemented. These recommendations were not implemented due to the court not processing any cases during the audit period that related to these recommendations. Although not repeated in the current MAR, our recommendations remain as stated above.

D. Not implemented. Documentation of the bond account reconciliations are still not maintained. However, we noted no activity in this account during the audit period. Although not repeated in the current MAR, our recommendation remains as stated above.

F. Not implemented. The Court Clerk did not process any payment plan cases during the audit period. The older payment plan cases are kept in a separate file area in alphabetical order. Although not repeated in the current MAR, our recommendation remains as stated above.

G.2. Not implemented. The court has not distributed CVC fees since 1995. Although not repeated in the current MAR, our recommendation remains as stated above.

2. City of Dearborn Municipal Division

A.1. Receipt slips were not issued for some court monies received and the receipt slips were not always issued in numerical order.

2. Receipt slips were not issued to the police department for cash bonds transmitted to the court.

3. The court did not reconcile receipts to amounts deposited into the court bond account or the court's regular account.

4. The composition of receipt slips was not reconciled to bank deposits.

5. Checks were not restrictively endorsed until the deposits were prepared.

B.1. A monthly listing of open items (liabilities) was not prepared.

2. Bond receipts were not always recorded in the bond ledger.

C. The court docket was not totaled or reconciled with deposits to the court's bank accounts.

D.1. The court collected CVC fees on nonmoving traffic violations.

2. The court did not collect the $2 LET fee on all moving violations.

Recommendations:

The city of Dearborn Municipal Division:

A.1. Issue prenumbered receipt slips in numerical order for all monies received and account for their numerical sequence.

2. Issue prenumbered receipt slips to the police department for all cash bonds received and reconcile receipt slips issued to bank deposits.

3. Deposit all fines and court costs into the court bank account and reconcile receipts to deposits.

4. Reconcile total cash, checks, and money orders received to bank deposits.

5. Restrictively endorse all checks immediately upon receipt.

B.1. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the court.

2. Record all bond transactions in the bond ledger.

C. Reconcile receipts recorded on the court dockets to bank deposits.

D. Collect the $5 CVC fee and the $2 LET fee in accordance with state law.

Status:

A.,B.,
C.&D. Implemented.

3. City of Edgerton Municipal Division

A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions.

B.1. Monies collected by the Court Clerk were not kept in a secure location until transmitted to the city. In addition, blank checks, receipts slips, and blank bond forms were not adequately secured.

2. Receipt slips issued by the court did not always indicate the method of payment received.

3. The Court Clerk did not issue receipt slips for some court monies received.

4. Checks received for the payment of fines, court costs, and bonds were not restrictively endorsed until the deposits were prepared.

C. Formal bank reconciliations were not prepared for the bond account.

D.1. Defendants were not required to sign a partial payment agreement form.

2. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant had not been established.

E.1. A ticket log was not maintained to track the issuance and disposition of each ticket issued.

2. General ordinance summons forms were not prenumbered. In addition, a log was not maintained to track the issuance and disposition of these forms.

F.1. The municipal division did not indicate the disposition of all cases on the court docket. In addition, the disposition of several cases recorded on the court docket did not agree to other court records.

2. The court docket was not totaled or reconciled with deposits to city and court bank accounts.

G. The Court Clerk did not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP) on a timely basis.

H.1. The court did not charge CVC and LET fees on municipal ordinance violations.

2. CVC fee payments were not always made to the state monthly, and some payments were calculated incorrectly. In addition, some fees collected were never remitted to the state.

I. The court assessed excess court costs on some court cases.

J. The police department did not issue prenumbered receipt slips for the receipt of cash bonds. In addition, the Court Clerk did not issue a receipt slip to the police department when cash bonds were received.

Recommendations:

The city of Edgerton Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Maintain court records and receipts in a secure location.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

3. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

4. Restrictively endorse all checks immediately upon receipt.

C. Perform monthly bank reconciliations and maintain documentation of the reconciliations.

D.1. Require defendants to enter into a formal agreement for the payment of any balances owed.

2. Establish a control ledger and periodically reconcile it to the payment agreement forms.

E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons form issued.

F.1. Fully document case dispositions on the court docket.

2. Reconcile receipts recorded on the court dockets to bank deposits.

G. Forward all required records of convictions of traffic offenses to the MSHP as required by state law.

H.1. Collect the $5 CVC fee and the $2 LET fee in accordance with state law.

2. Determine the amount due to the state for CVC fees previously collected and remit this amount. In addition, the court should ensure CVC fees due the state are properly calculated and remitted to the state monthly as required by state law.

I. Assess court costs of $12 as allowed by state law.

J. Request the police department to issue prenumbered receipt slips for all bond monies received and account for their numerical sequence. In addition, the Court Clerk should issue receipt slips to the police department for bond monies received and reconcile receipts slips issued to bank deposits.

Status:

A.,B.3.,
& E. Not implemented. See MAR No. 2.

B.1., C,
F.1., G.
& I. Implemented.

B.2. Partially implemented. The method of payment is recorded on the receipt slip. However, the composition of receipt slips is not reconciled to bank deposits. See MAR No. 2.

B.4.,
F.2.,&
H.1. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

D.1. &
D.2. Not implemented. The Court Clerk had less than five payment plan cases during the audit period. Although not repeated in the current MAR, our recommendation remains as stated above.

H.2. Partially implemented. Although the court remitted $214 of previously collected CVC fees to the state in March 1995, the court does not remit CVC fees to the state monthly. These fees are remitted once or twice a year. Although not repeated in the current MAR, our recommendation remains as stated above.

J. Partially implemented. The police department issues prenumbered receipt slips for bond monies received; however, the Court Clerk does not issue receipt slips to the police department. See MAR No. 3.

4. City of Houston Lake Municipal Division

A.1. Fines, court costs, and bond monies were not deposited on a timely basis.

2. Receipts were not deposited intact.

3. Receipt slips were not issued for some court monies received.

4. Receipt slips and bond forms issued by the police department for cash bonds were not prenumbered. In addition, receipt slips and bond forms issued by the police department were not reconciled to receipt slips issued by the Court Clerk for bonds received from the police department.

5. Monies collected by the Court Clerk were not adequately protected from theft.

6. The composition of receipt slips issued was not reconciled to bank deposits.

B. The Court Clerk was not bonded.

C. CVC and LET fees were not collected for some applicable cases.

D. A court order had not been issued to formerly establish the TVB. In addition, a schedule of fines and costs to be imposed for each offense had not been posted at the TVB.

E.1. Summons forms issued by the police department were not issued in numerical order and records to account for the ultimate disposition of these forms was not maintained.

2. The disposition of twenty percent of the MSHP tickets assigned to Houston Lake police department were not accounted for.

Recommendations:

The city of Houston Lake Municipal Division:

A.1. Deposit receipts daily or when accumulated receipts exceed $100.

2. Deposit receipts intact and reconcile the total receipt slips issued to bank deposits.

3&4. Issue prenumbered receipt slips or bond forms, as applicable, for all monies received and account for their numerical sequence.

5. Maintain court receipts and forms in a secure location.

6. Reconcile total cash, checks and money orders received to bank deposits.

B. Request the city consider obtaining adequate bond coverage for all persons handling court monies.

C. Collect the $5 CVC fee and the $2 LET fee in accordance with state law.

D. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons form issued.

Status:

A.,C.,
D.&E. Implemented.

B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

5. City of Lake Waukomis Municipal Division

Checks received were not restrictively endorsed until the deposits were prepared.

Recommendation:

The city of Lake Waukomis Municipal Division restrictively endorse all checks immediately upon receipt.

Status:

Implemented.

6. City of Northmoor Municipal Division

A.1. Receipts were not deposited on a timely basis.

2. Monies collected by the Court Clerk were not adequately protected from theft.

3. Checks and money orders received were not restrictively endorsed until the deposits were prepared.

4. The composition of receipt slips issued was not reconciled to bank deposits.

B.1. The municipal division did not record the disposition of traffic tickets on the ticket log nor were unused tickets accounted for properly.

2. Logs were not maintained to account for the numerical sequence or the ultimate disposition of the summons forms.

C. Blank checks were signed in advance by the Court Clerk.

D. Formal bank reconciliations were not prepared for the bond account or the fine and court costs account.

E. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant had not been established.

F.1. One instance was noted where CVC and LET fees were charged on a nonmoving violation. In addition, two instances were noted where CVC and LET fees were not charged on municipal ordinance violations.

2. CVC fees were not remitted to the state Department of Revenue (DOR) on a monthly basis as required by state law.

Recommendations:

The city of Northmoor Municipal Division:

A.1. Deposit receipts daily or when accumulated receipts exceed $100.

2. Keep receipts in a secure location.

3. Restrictively endorse all checks and money orders immediately upon receipt.

4. Reconcile total cash, checks and money orders received to bank deposits.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons form issued.

C. Prohibit the practice of signing checks in advance and keep blank checks in a secure location.

D. Perform monthly bank reconciliations and maintain documentation of the reconciliations.

E. Establish a control ledger and periodically reconcile it to the payment agreements.

F.1. Collect the $5 CVC fee and the $2 LET fee in accordance with state law.

2. Ensure all CVC fees are remitted to the state monthly as required by state law.

Status:

A.1.&

E. Not implemented. See MAR No. 3.

A.2-4.,
C., D.,
& F.2. Implemented.

B. Partially implemented. Records are maintained to account for the numerical sequence and ultimate disposition of traffic tickets, but not for summonses. See MAR No. 3.

F.1. Partially implemented. There were twelve of sixty-three tickets tested in which no CVC fee was charged. Although not repeated in the current MAR, our recommendation remains as stated above.

7. City of Parkville Municipal Division

A.1. Receipts were not deposited on a timely basis.

2. Checks and money orders received were not restrictively endorsed immediately upon receipt.

B.1. A monthly listing of open items (liabilities) was not prepared.

2. Monthly bank reconciliations were not documented by the former Court Clerk or the City Treasurer.

C. CVC and LET fees were charged on several dismissed cases and were not collected on some moving and municipal ordinance violations.

D. Some cases heard before the Municipal Judge were not accurately listed on the court docket.

E. The court had not forwarded some required records of convictions on traffic offenses to the MSHP.

F.1. Bond forms issued during the period October 28, 1992 through October 8, 1993, could not be located.

2. Numerous traffic tickets issued during 1992 and 1993 could not be located.

3. The docket for the October 28, 1993 court session could not be located.

G. Neither the police department nor the court maintained adequate records to account for all traffic tickets issued and their ultimate disposition.

Recommendations:

The city of Parkville Municipal Division:

A.1. Deposit receipts daily or when accumulated receipts exceed $100.

2. Restrictively endorse all checks and money orders immediately upon receipt.

B.1. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the court.

2. Continue to perform monthly bank reconciliations and maintain documentation of the reconciliations.

C. Collect the $5 CVC fee and the $2 LET fee in accordance with state law.

D. Record on the court docket all cases heard before the Municipal Judge. In addition, the disposition of these cases should be accurately recorded on the court docket.

E. Forward all required records of convictions on traffic offenses to the MSHP as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

F. Retain all court records in accordance with Supreme Court Administrative Rule 8.

G. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket issued.

Status:

A.1. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

A.2,
B. 1-2., C.,
D., E., F.,
& G. Implemented.

8. City of Platte City Municipal Division

A. The Court Clerk did not issue receipt slips to the police department when cash bonds were transmitted to the court.

B. In some cases, fines and costs collected by the Court Clerk did not agree to the traffic violations bureau (TVB) schedule. In addition, some cases were paid at the TVB for

offenses which were not specified by the Municipal Judge as offenses payable at the TVB.

C. The court did not file with the city a monthly report of all cases heard in court.

D. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant had not been established.

E. The summons/complaint forms issued by the police department were not prenumbered.

Recommendations:

The city of Platte City Municipal Division:

A. Issue prenumbered receipt slips to the police department for all cash bonds received and reconcile receipt slips issued to bank deposits.

B. Collect the proper amount of fines and court costs in accordance with the TVB schedule or in accordance with the Municipal Judge's order. In addition, collect fines and costs at the TVB only for those offenses that have been authorized by the Municipal Judge to be paid at the TVB.

C. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

D. Establish a control ledger and periodically reconcile it to the payment agreements.

E. Obtain and use prenumbered summons/complaint forms for non-traffic ordinance violations and account for the numerical sequence of those summons/complaint forms.

Status:

A., B., & E. Implemented.

C.&D. Not implemented. See MAR No. 4.

9. City of Platte Woods Municipal Division

A.1. The Court Clerk did not issue receipt slips for some monies received.

2. The method of payment was not indicated on some of the receipt slips. In addition, the composition of receipts slips issued was not reconciled to bank deposits.

3. Some bond monies received were not deposited intact.

B. The municipal division had not established a formal schedule of fines and court costs to be collected on tickets paid through the TVB.

C. Bond receipts were not always recorded in the bond ledger.

Recommendations:

The city of Platte Woods Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

2. Indicate the method of payment on all receipt slips and reconcile total cash, checks and money orders received to bank deposits.

3. Deposit all bond receipts intact and reconcile the total receipt slips issued to bank deposits. In addition, bond refunds should be made by check.

B. Prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

C. Record all bond transactions in the bond ledger.

Status:

A.1. Not implemented. See MAR No. 5.

A.2.,
A.3.,
B.&C. Implemented.

10. City of Riverside Municipal Division

A. Receipts were not deposited intact and the composition of receipts had not been reconciled to bank deposits.

B. The duties of receiving, recording, and depositing court receipts were not adequately segregated.

Recommendations:

The city of Riverside Municipal Division:

A. Deposit all receipts intact and reconcile total cash, checks, and money orders received to bank deposits.

B. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

Status:

A. Partially implemented. The Court Clerk indicated small amounts of cash are occasionally refunded for money order overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

11. City of Tracy Municipal Division

A. The duties of receiving, recording, and depositing court receipts were not adequately segregated.

B.1. Receipts were not deposited intact on a timely basis.

2. The composition of receipts was not reconciled to bank deposits.

3. Receipt slips were not issued for some court monies received.

4. Receipt slips were not always issued in numerical order.

5. Receipt slips were not issued to the police department when cash bonds were transmitted to the court.

6. The police department was unable to account for the numerical sequence of receipt slips issued.

C. A monthly listing of open items (liabilities) was not prepared.

D. Formal bank reconciliations were not prepared by the Court Clerk.

E. A court order had not been issued to formerly establish the TVB. In addition, a schedule of fines and costs to be imposed for each offense had not been posted at the TVB.

F. Neither the police department nor the court maintained adequate records to account for all traffic tickets and summons forms issued and their ultimate disposition.

G. Cases paid through the TVB and cases dismissed prior to the court date were not included on the court docket.

H. The fines and court costs remitted to the city treasury and the state's portion of CVC fees were remitted every two months. The amount of fines and court costs remitted to the city treasury did not always agree to the amount of fines and costs collected by the municipal division.

Recommendations:

The city of Tracy Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1 Deposit all receipts intact daily or when accumulated receipts exceed $100.

2. Reconcile total cash, checks, and money orders received to bank deposits.

3. Issue prenumbered receipts slips for all monies received and account for their numerical sequence.

4. Issue receipt slips in numerical order as monies are received and account for their numerical sequence.

5. Issue prenumbered receipt slips to the police department for all cash bonds received and reconcile receipt slips issued to bank deposits.

6. Request the police department to account for the numerical sequence of all bond receipt slips issued by maintaining a log or a copy of each receipt in numerical sequence.

C. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the court.

D. Perform monthly bank reconciliations and maintain documentation of the reconciliations.

E. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

F. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons form issued. In addition, use only those ticket numbers assigned by the MSHP when obtaining additional tickets.

G. Record on the court docket all cases heard before the Municipal Judge.

H. Ensure all fines, court costs and fees are remitted to the city and the state monthly as required by state law.

Status:

A.,B.1-5.,
C., D.,
G.,&
H. Not implemented. See MAR No. 6.

B.6. Not implemented. However, it appeared that the police department did not collect any bond monies during the audit period. Although not repeated in the current MAR, our recommendations remain as stated above.

E. Implemented.

F. Partially implemented. Although the division now uses ticket numbers assigned by the MSHP, records are not maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons. See MAR No. 6.

12. City of Weatherby Lake Municipal Division

A.1. The Court Clerk and the police department did not issue receipt slips for some monies received.

2. Receipt slips issued for the receipt of fines and court costs were not prenumbered by the printer.

3. Some receipt slips issued by the court did not indicate the method of payments received.

4. Checks received were not restrictively endorsed until the deposits were prepared.

5. Fines and court costs were not deposited on a timely basis. In addition, partial payments of fines and costs were held by the Court Clerk until the cases were finalized.

B. Blank checks were signed in advance.

C. Neither the police department nor the court maintained adequate records to account for the numerical sequence of General Ordinance Summons (GOS) tickets issued.

Recommendations:

The city of Weatherby Lake Municipal Division:

A.1. & 2. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

3. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks and money orders received to bank deposits.

4. Restrictively endorse all checks immediately upon receipt.

5. Deposit receipts daily or when accumulated receipts exceed $100.

B. Prohibit the practice of signing checks in advance.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each GOS ticket issued.

Status:

A.1-4. Implemented.

A.5.,B. &C. Not implemented. See MAR No. 7.

13. City of Weston Municipal Division

A.1. Receipt slips were not issued for some court monies received.

2. Receipt slips issued by the court did not indicate the method of payments received.

B. Neither the police department nor the court maintained adequate records to account for all summons forms issued and their ultimate disposition. In addition, summons forms were not prenumbered by the printer.

C. Law Enforcement Training (LET) fees were not charged on all moving and non-traffic violations.

D.1. Defendants were not required to sign a partial payment agreement form to document the amounts owed and establish the subsequent payment schedule.

2. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant had not been established.

Recommendations:

A.1 Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

B. Obtain prenumbered summons forms and work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons form issued.

C. Assess the $2 LET fee as required by state law.

D.1. Require defendants to enter into a formal agreement for the payment of any balances owed.

2. Establish a control ledger and periodically reconcile it to the payment agreement forms.

Status:

A.2.,B. &C. Implemented.

A.1., &D.2. Not implemented. See MAR No. 8.

D.1. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Sixth Judicial Circuit is composed of Platte County. The Honorable Ward B. Stuckey serves as Presiding Judge. There are fourteen municipal divisions within the Sixth Judicial Circuit. One division, the village of Ferrelview, began operations during 1998 and had not yet completed one fiscal year at the time of this report. As a result, financial statements for the village of Ferrelview Municipal Division are not included in this report.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating expenses and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Camden Point

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and costs are deposited directly into the city treasury. Bond monies are deposited into a court bank account pending disposition. Court is held once every two months. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	Michael J. Svetlic
City Clerk/Court Clerk	Julie Dudley

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	18	4

2. City of Dearborn

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts, one for fines and costs, and one for bond monies. Fines and costs are disbursed by check to the city treasury after each court date. Bond deposits remain in the bank account pending court disposition. Court is held once a month. A TVB has been established to receive payment of fines and costs at times other than during court.

Personnel

Municipal Judge	Michael J. Svetlic
City Clerk/Court Clerk	Susan Crowley

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	350	206

3. City of Edgerton

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and costs are deposited directly into the city treasury. Bond monies are deposited into a court bank account pending disposition. Court is held once every two months. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	Michael J. Svetlic
City Clerk/Court Clerk	Sandra Masoner

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	29	25

4. Village of Ferrelview

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Three court bank accounts are maintained, one for fines and costs, one for LET monies, and one for bond monies. Fines and costs are disbursed by check to the city treasury after each court date. City LET fines are disbursed by check to the LET account, maintained by the Court Clerk, after each court date. Bond deposits remain in the bank account pending court disposition. Court is held once a month. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	Tom Fincham
Court Clerk	Linda Renz

5. City of Houston Lake

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts, one for fines and costs, and one for bond monies. Fines and costs are disbursed by check to the city treasury after each court date. Bond deposits remain in the bank account pending court disposition. Court is held once every two months. Although it has not been formally established, a TVB receives payments of fines and costs at times other than during court.

Personnel

Municipal Judge	Gregory Dorsey
Court Clerk	Lenora Holliway

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed*	97	88

*Court caseload estimated based on number of traffic tickets issued.

6. City of Lake Waukomis

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for fines, costs, and bonds. Fines and costs are disbursed by check to the city treasury after each court date. Bond deposits remain in the bank account pending court disposition. Court is held once a month. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	James Long
City Clerk/Court Clerk	Donna Rhodus

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	46	26

7. City of Northmoor

Organization

A part-time Court Clerk and the City Treasurer, who serves as Deputy Court Clerk, are responsible for recording transactions as well as handling collections and disbursements. Two court bank accounts are maintained, one for fines and costs, and one for bond monies. Fines and costs are disbursed by check to the city treasury once a month. Bond deposits remain in the bank account pending court disposition. Court is held once a month. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	James Wilson
Court Clerk	Misty Nickell
City Treasurer/Deputy Court Clerk	Donna Michelson

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed*	425	450

*Court caseload estimated based on number of traffic tickets issued.

8. City of Parkville

Organization

The Court Clerk and the Assistant Court Clerk are responsible for recording transactions as well as handling collections and disbursements. Two court bank accounts are maintained, one for fines and costs, and one for bond monies. Fines and costs are disbursed by check to the city treasury once a month. Bond deposits remain in the bank account pending court disposition. Court is held twice a month. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	Sandra P. Ferguson
Court Clerk	Leslie Mason
Assistant Court Clerk*	Brenda Christian

*Brenda Christian replaced Linda Renz as Assistant Court Clerk in January 1999.

Caseload Information

	Year Ended December 31	
	1997	1996
Number of cases filed*	2,325	2,550

*Court caseload estimated based on number of traffic tickets issued.

9. City of Platte City

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for fines, costs, and bonds. Fines and costs are disbursed by check to the city treasury once a month. Bond deposits remain in the bank account pending court disposition. Court is held once a month. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	Gregory Dorsey
Court Clerk *	Janet Corcoran

* Karla Hood served as Court Clerk from March 1998 to August 1998. Amy Hubbard served as Court Clerk from December 1996 to March 1998.

Caseload Information

	Year Ended October 31,	
	1998	1997
Number of cases filed	652	621

10. City of Platte Woods

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and costs are deposited directly into the city treasury. Bond monies are deposited into a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	John Fairfield
Court Clerk*	Sandra Shipley

*Dick Fitzsimmons served as Court Clerk prior to March 1998

Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed*	231	205

*Court caseload estimated based on number of traffic tickets issued.

11. City of Riverside

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains three bank accounts, one for bond monies, one for fines and costs and one for Crime Victims' Compensation (CVC) fees. Fines and costs are disbursed to the city treasury once a month. The CVC fees are disbursed to the CVC account by check once a month and paid to the state from this account each month. Bond deposits remain in the bank account pending court disposition. Court is held once a week. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge	Charles McKeon
Court Clerk	Kathleen Rose

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed*	2,925	2,800

*Court caseload estimated based on number of traffic tickets issued.

12. City of Tracy

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts, one for fines and court costs and one for bonds. Fines and court costs are disbursed by check to the city treasury and state on a periodic basis. Bond deposits remain in the bond bank account pending their disposition. Court is held once every two months. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Gregory Dorsey
Court Clerk *	Phyllis Filley

* Prior to December 1998, Judie Purvis served as Court Clerk.

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	173	117

13. City of Weatherby Lake

Organization

The Court Clerk and the City Clerk, who serves as the Assistant Court Clerk, are responsible for recording transactions as well as handling collections and disbursements. Fines and costs are deposited directly into the city treasury. Bond monies are deposited into a court bank

account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and costs at times other than during court.

Personnel

Municipal Judge*	Marion "Nick" E. Winter
Court Clerk	Linda Eckerle
City Clerk/Assistant Court Clerk**	Juli Pinnick

* Edward Coulson served as Municipal Judge prior to April 1996.

**Adrienne Renton served as City Clerk/Assistant Court Clerk prior to September 1998.

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	287	205

14. City of Weston

Organization

The City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and costs are deposited directly into the city treasury. Bond monies are deposited into a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and costs at times other than during court.

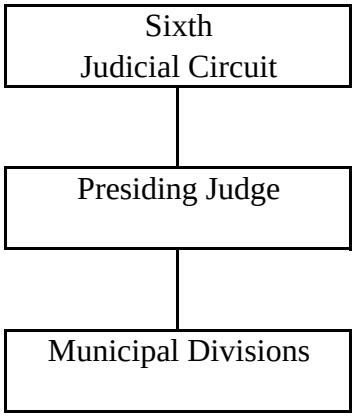
Personnel

Municipal Judge	Phyllis A. Warder
City Clerk/Court Clerk	Mary Hayworth

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	196	161

SIXTH JUDICIAL CIRCUIT
ORGANIZATION CHART



City of Camden Point
City of Dearborn
City of Edgerton
Village of Ferrelview
City of Houston Lake
City of Lake Waukomis
City of Northmoor
City of Parkville
City of Platte City
City of Platte Woods
City of Riverside
City of Tracy
City of Weatherby Lake
City of Weston

* * * * *

TWENTIETH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-29
April 29, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

The following audit report presents our findings and recommendations for the municipal divisions of the Twentieth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Gerald	*pages 24-25*
City of Hermann	*pages 25-26*
City of New Haven	*pages 26-27*
City of Owensville	*pages 27-28*
City of Pacific	*pages 28-30*
City of St. Clair	*pages 30-31*
City of Sullivan	*pages 32-33*
City of Union	*page 34*

We had no findings or recommendations for the municipal divisions of the **City of Bland** and the **City of Washington**.

Actions taken by the various municipal divisions of the Twentieth Judicial Circuit on recommendations made in the prior report are noted on pages 35-51.

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Twentieth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions of the Twentieth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998 and 1997; June 30, 1998 and 1997; and April 30, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four through nine, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Twentieth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Records accounting for the numerical sequence and ultimate disposition of each complaint issued by the police department for the city of Sullivan were not maintained. In addition, prenumbered receipt slips or bond forms for bond monies received were not properly accounted for by the police department. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended September 30, 1998 and 1997.

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Records accounting for the numerical sequence and ultimate disposition of each summons issued by the city attorney for the city of Hermann were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Records accounting for the numerical sequence and ultimate disposition of each summons issued by the police department for the city of New Haven were not maintained. In addition, prenumbered bond forms for bond monies received were not properly accounted for by the police department. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Records accounting for the numerical sequence and ultimate disposition of each summons issued by the police department for the city of Owensville were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Records accounting for the numerical sequence and ultimate disposition of each summons issued by the police department for the city of Union were not maintained prior to April 1997. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the year ended June 30, 1997.

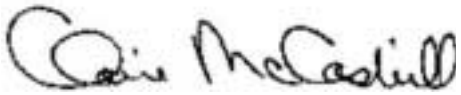
Records accounting for the numerical sequence and ultimate disposition of each summons issued by the police department for the city of St. Clair were not maintained. In addition, prenumbered receipt slips or bond forms were not issued for bond monies received by the police department. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended April 30, 1998 and 1997.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1*, requires disclosure of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. The various municipal divisions of the Twentieth Judicial Circuit have omitted such disclosures. We do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal divisions do business will become year 2000-compliant.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding seven paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions of the Twentieth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998 and 1997; June 30, 1998 and 1997; and April 30, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 16, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

February 16, 1999 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Twentieth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions of the Twentieth Judicial Circuit as of and for the years ended December 31, 1998 and 1997; September 30, 1998 and 1997; June 30, 1998 and 1997; and April 30, 1998 and 1997, and have issued our report thereon dated February 16, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Twentieth Judicial Circuit for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Twentieth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Twentieth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the

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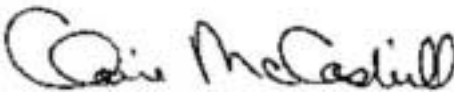
purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Twentieth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

February 16, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Gerald Year Ended December 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 11,242	20,209
Total Receipts	11,242	20,209
DISBURSEMENTS		
City treasury	9,071	13,829
State of Missouri	525	880
Refunds and other	4,439	2,329
Total Disbursements	14,035	17,038
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,793	3,171
CASH, JANUARY 1	3,321	150
CASH, DECEMBER 31	$ 528	3,321

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Sullivan Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 107,974	91,551
Total Receipts	107,974	91,551
DISBURSEMENTS		
City treasury	38,858	40,850
State of Missouri	5,348	4,799
Refunds and other	61,886	45,245
Total Disbursements	106,092	90,894
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,882	657
CASH, OCTOBER 1	4,030	3,373
CASH, SEPTEMBER 30	$ 5,912	4,030

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Washington Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 153,573	162,506
Total Receipts	153,573	162,506
DISBURSEMENTS		
City treasury	110,671	111,179
State of Missouri (Note 3)	0	0
Refunds and other	38,585	51,142
Total Disbursements	149,256	162,321
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,317	185
CASH, OCTOBER 1	4,857	4,672
CASH, SEPTEMBER 30	$ 9,174	4,857

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Bland Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 10,211	11,365
Total Receipts	10,211	11,365
DISBURSEMENTS		
City treasury	8,911	11,215
State of Missouri (Note 3)	0	0
Refunds and other	300	150
Total Disbursements	9,211	11,365
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	0
CASH, JULY 1	8	8
CASH, JUNE 30	$ 1,008	8

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Hermann Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 8,729	10,628
Total Receipts	8,729	10,628
DISBURSEMENTS		
City treasury	6,746	9,123
State of Missouri	793	542
Refunds and other	1,242	982
Total Disbursements	8,781	10,647
RECEIPTS OVER (UNDER) DISBURSEMENTS	-52	-19
CASH, JULY 1	281	300
CASH, JUNE 30	$ 229	281

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of New Haven Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 38,741	24,579
Total Receipts	38,741	24,579
DISBURSEMENTS		
City treasury	28,662	17,290
State of Missouri (Note 3)	0	0
Refunds and other	8,488	6,063
Total Disbursements	37,150	23,353
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,591	1,226
CASH, JULY 1	1,401	175
CASH, JUNE 30	$ 2,992	1,401

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Owensville Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 15,262	20,252
Total Receipts	15,262	20,252
DISBURSEMENTS		
City treasury	236	13,688
State of Missouri	674	928
Refunds and other	3,812	5,689
Total Disbursements	4,722	20,305
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,540	-53
CASH, JULY 1	710	763
CASH, JUNE 30	$ 11,250	710

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Pacific Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 237,120	146,683
Total Receipts	237,120	146,683
DISBURSEMENTS		
City treasury	146,776	98,144
State of Missouri	31,451	17,719
Refunds and other	50,804	28,632
Total Disbursements	229,031	144,495
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,089	2,188
CASH, JULY 1	15,941	13,753
CASH, JUNE 30	$ 24,030	15,941

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Union Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 62,150	63,187
Total Receipts	62,150	63,187
DISBURSEMENTS		
City treasury	49,197	50,418
State of Missouri	3,673	3,493
Refunds and other	8,637	8,869
Total Disbursements	61,507	62,780
RECEIPTS OVER (UNDER) DISBURSEMENTS	643	407
CASH, JULY 1	2,317	1,910
CASH, JUNE 30	$ 2,960	2,317

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of St. Clair Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 94,404	82,375
Total Receipts	94,404	82,375
DISBURSEMENTS		
City treasury	62,139	50,409
State of Missouri	5,349	4,524
Refunds and other	26,053	25,701
Total Disbursements	93,541	80,634
RECEIPTS OVER (UNDER) DISBURSEMENTS	863	1,741
CASH, MAY 1	13,833	12,092
CASH, APRIL 30	$ 14,696	13,833

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Twentieth Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which

fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998 and 1997, all bank account balances reported for the municipal divisions of the Twentieth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Gerald, city of Sullivan, city of Hermann, city of Owensville, city of Pacific, city of Union and city of St. Clair. Amounts remitted by the cities to the state are not included in the financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions of the Twentieth Judicial Circuit as of and for the years ended December 31, 1998 and 1997, September 30, 1998 and 1997, June 30, 1998 and 1997, and April 30, 1998 and 1997, and have issued our report thereon dated February 16, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Twentieth Judicial Circuit for the applicable fiscal periods.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal divisions' special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Gerald Municipal Division

A. The duties of receiving, recording, and depositing fine, court cost, restitution, and bond monies and disbursing all monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. In addition, there should be a documented review of the bank reconciliations.

B. The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, bonds, and restitutions. However, these receipts are not deposited on a timely basis. Deposits are generally made once a week and average in excess of $500. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Gerald Municipal Division:

A. Establish a documented review of municipal division records by an independent person.
B. Deposit receipts on a daily basis or when accumulated receipts exceed $100.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. As of January 1, 1999, the City Clerk reviews and initials the bank reconciliations on a monthly basis and bank deposit receipts are attached to the court collections log or bond log.

B. As of April 1, 1999, deposits are being made daily or when accumulated to $100.

2. City of Hermann Municipal Division

A. The duties of receiving, recording, and transmitting fine and court cost monies collected by the municipal division, as well as depositing, disbursing, and reconciling the bond account, are not adequately segregated. Currently, the Court Clerk performs all of these duties. The Police Chief was reviewing monthly bank reconciliations, however, he discontinued this practice during the audit period. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted and deposited. In addition, there should be a documented review of the bank reconciliations.

B. Summonses (complaints) issued for violations of city ordinances and criminal offenses are issued by the city attorney. These summonses are not prenumbered and a summons log is not maintained to track the issuance and disposition of these summonses. To ensure summonses are properly turned into the municipal division for processing, summonses should be prenumbered and accounted for in a summons log.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Hermann Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Request the city attorney issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. Attempts will be made to get the City Clerk to do the suggested review.

B. This will be discussed with the City Attorney again; however, discussions with him after the last audit indicated he was unwilling to make any changes.

3. City of New Haven Municipal Division

A. The municipal division accepts cash, checks, and money orders for fines, court costs, bonds and restitution. Receipt slips issued by the municipal division do not always indicate the method of payment received. To ensure all receipts are transmitted to the city or deposited intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips should be reconciled to the composition of monies transmitted or deposited.

B. Bond forms issued by the police department serve as the receipt slip to the defendant. Although these bond forms are prenumbered, the number is located at the top of the pad and therefore is detached from the bond form when removed from the pad. As a result, the numerical sequence cannot be accounted for properly. To adequately account for monies received and to ensure all receipts are deposited, detached bond forms issued by the police department should include the number preassigned to that document and their numerical sequence accounted for properly.

C. Summonses (complaints) issued for violations of city ordinances and criminal offenses are issued by the city police department. These summonses are manually numbered by the police department instead of being prenumbered by the printer and a summons log is not maintained to track the issuance and disposition of these summonses. To ensure summonses are properly turned into the municipal division for processing, summonses should be prenumbered and accounted for in a summons log.

A similar condition was also noted in our prior report.

WE RECOMMEND the city of New Haven Municipal Division:

A. Indicate the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of monies transmitted or deposited.

B. Request the police department issue bond forms that include the preassigned document number on the detached form and account for the numerical sequence.

C. Request the police department issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. This procedure has now been instituted.

B. This has been brought to the police department's attention and they have started numbering all bond sheets. Every bond form issued will be accounted for.

C. This has been brought to the attention of the police department and will also make the Mayor and Aldermen aware of this. However, the court has no control over the police department's procedures.

4. City of Owensville Municipal Division

A. The duties of receiving, recording, and depositing fine, court cost, restitution, and bond monies and disbursing all monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. The Deputy City Clerk performs monthly bank reconciliations and the Municipal Judge reviews the one-write ledger; however, there is no independent supervisory review of the reconciliation between recorded receipts and deposits. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Fines, court costs, restitutions and bonds are not always deposited on a timely basis. Receipts are usually deposited about two or three times a month and average approximately $350. During our review, we noted court costs and fines of $679 received on June 11, 1998 was not deposited until July 6, 1998. Two bonds received on November 17, 1997 in the amounts of $400 and $100 were not deposited until December 10, 1997. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed $100.

C. Fines and court costs collected are not turned over to the city treasury on a monthly basis. Fines and court costs are being remitted to the city once a year, usually at or

near the end of the fiscal year. These yearly remittances totaled approximately $10,000 and $13,400 for the years ended June 30, 1998 and 1997, respectively. Section 479.080, RSMo 1994, states that all fines and court costs shall be paid to and deposited monthly into the city treasury.

D. Summonses (complaints) issued for violations of city ordinances and criminal offenses are issued by the city police department. These summonses are not prenumbered and a summons log is not maintained to track the issuance and disposition of these summonses. To ensure summonses are properly turned into the municipal division for processing, summonses should be prenumbered and accounted for in a summons log.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Owensville Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, the division should establish a documented independent comparison of receipt slips issued to amounts deposited.

B. Deposit all court receipts on a daily basis or when accumulated receipts exceed $100.

C. Remit fines and court costs to the city treasury on a monthly basis as required by state law.

D. Request the police department issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. We will ensure someone independent compares receipt slips to the deposits.

B. The examples noted were unusual situations and since then more time and attention has been devoted to the court and making the deposits more timely.

C. This will be implemented.

D. This has been implemented.

5. City of Pacific Municipal Division

A. The duties of receiving, recording, and depositing fine, court cost, restitution, and bond monies and disbursing all monies collected by the municipal division are not

adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. In addition, there should be a documented review of the bank reconciliations.

B. The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, bonds, and restitutions. However, these receipts are not deposited on a timely basis. Deposits are generally made once a week and range from $1,000 to $2,500. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

C. The bond ledger does not include the disposition of the bonds. Complete information regarding bond receipts and disbursements is necessary to ensure all cash bonds have been accounted for properly.

D. The police department accepts cash, checks, and money orders for bonds and issues prenumbered bond forms to document the receipt of monies. These collections are not maintained in a secure location and they are not transmitted to the Court Clerk on a timely basis. Receipts are placed in an envelope and kept in a locked box on the wall of the police department; however, the opening of the box is sufficient to allow access to the monies. We noted one instance where a $200 bond was collected by the police department in April 1997 and not transmitted to the Court Clerk. Neither the police department nor the Court Clerk accounted for the numerical sequence of bond forms at that time and therefore did not notice the missing bond number. Transmittals are made approximately once every two weeks and average in excess of $1,000.

   To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, any monies held by the police department should be maintained in a secure location and transmittals to the Court Clerk should be made daily or when accumulated receipts exceed $100. In addition, the numerical sequence of bond forms should be accounted for fully.

Conditions similar to parts A-C were also noted in our prior report.

WE RECOMMEND the city of Pacific Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, the division should establish a documented review of municipal division records by an independent person.

B. Deposit receipts on a daily basis or when accumulated receipts exceed $100.

C. Ensure the dispositions or all bonds are recorded in the bond ledger.

D. Request to the police department to maintain bond receipts in a secure location and transmit monies to the Court Clerk daily or when accumulated receipts exceed $100. The police department and the Court Clerk should also account for the numerical sequence of bond forms during the transmittal process.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

A. We will ensure someone independent reconciles the receipt slips to the amounts deposited.

B. We are trying to improve our efficiency by depositing on a more frequent basis.

C. Dispositions are now being entered in the bond journal.

D. We will discuss the locked box situation with the police department. We are now accounting for the numerical sequence of bond forms during the transmittal from the police department.

6. City of St. Clair Municipal Division

A. During our review, we noted the following concerns related to bonds:

1) Neither the receipt slips nor the bond forms issued by the police department for the receipt of bonds are prenumbered. To adequately account for all bond receipts and to ensure these monies are properly transmitted to the municipal division, prenumbered receipt slips or bond forms should be issued for all bonds received by the police department and their numerical sequence should be accounted for properly.

2) At April 30, 1998, seven bonds over one year old, totaling $1,214, remained in the municipal division's bank account. One bond was over ten years old. If the defendant failed to make the required court appearance, the bond should be forfeited and monies paid over to the city treasury as provided in Section 479.210, RSMo 1994. If the bond cannot be forfeited, Section 447.595, RSMo 1994, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

B. Sixteen restitution accounts totaling $491 had no activity for the year ended April 30, 1998. An attempt should be made to collect any additional amounts due or determine

the proper disposition of these monies and issue checks to the appropriate parties. If the appropriate parties cannot be located, these monies should be remitted to the state's Unclaimed Property Section in accordance with Section 447.595, RSMo 1994.

C. Summonses (complaints) issued for violations of city ordinances and criminal offenses are issued by the police department. These summonses are not prenumbered and a summons log is not maintained to track the issuance and disposition of these summonses. Although the Police Chief records each summons in his records, there is no assurance that all summonses were presented to the Police Chief. To ensure summonses are properly turned into the municipal division for processing, summonses should be prenumbered and accounted for in a summons log.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of St. Clair Municipal Division:

A.1. Request the police department to issue prenumbered receipt slips or bond forms for all bond monies received and account for the numerical sequence of the receipt slips or bond forms.

2. Attempt to locate those defendants who are entitled to a bond refund and return the bond amount. For those bonds that the owner can not be located, the unclaimed bonds should be disposed of in accordance with state law.

B. Attempt to collect any additional amounts due or determine the proper disposition of these monies and issue checks to the appropriate parties. If the appropriate parties cannot be located, these monies should be turned over to the state's Unclaimed Property Section.

C. Request the police department issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A.1. The police department has a large supply of bond forms on hand. When additional bonds are needed we will order prenumbered forms.

2. We will check to see if we still have any old outstanding bonds. We have made a conscious effort to pay out all bonds.

B. We have attempted to collect these monies; however, sometimes these people are incarcerated or do not currently have jobs. We do not want to make partial payments because it is difficult to maintain the records and the merchants do not keep track of the

payments. We have updated our city ordinance which should reduce the number of bad checks.

C. When the current supply is depleted we will order prenumbered summonses.

7. City of Sullivan Municipal Division

A. During our review, we noted the following concerns related to receipts:

1) The municipal division accepts cash, checks, and money orders for fines, court costs, restitution, and bonds. Receipt slips issued by the municipal division do not always indicate the method of payment received. To ensure receipts are transmitted to the City Collector or deposited intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips issued should be reconciled to the composition of monies transmitted or deposited.

2) Checks and money orders received for the payment of fines and court costs are not restrictively endorsed immediately upon receipt. The checks and money orders are endorsed by the City Collector after the Court Clerk has transmitted the monies. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

3) Bonds and restitution monies are not deposited to their respective bank accounts on a timely basis. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited daily or when accumulated receipts exceed $100.

4) Fines and court costs are not transmitted to the City Collector on a daily basis and are not transmitted intact. Receipts are transmitted approximately twice a week; however, CVC and POSTC monies collected are kept in the vault until a monthly deposit is made to the bond bank account. CVC and POSTC is then disbursed to the state and to the city from the bond bank account. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be transmitted to the City Collector daily or when accumulated receipts exceed $100 and transmittals should be made intact.

B. The police department did not maintain adequate records to account for the numerical sequence of bond forms. The police department collects bond monies for the court and issues bond forms. Although bond forms are prenumbered and recorded in the appearance bond ledger, we noted situations where numbers in the bond forms sequence were omitted from the ledger and other situations where a sequential number was recorded in the ledger, however no other information about the bond was

documented. Bond forms could not be located in these instances and the police department was not able to determine what happened to these bond forms.

To adequately account for all bond receipts and to ensure all receipts are transmitted to the court, the police department or court should account for the numerical sequence of bond forms issued by ensuring information is recorded in the appearance bond ledger for all bond form numbers.

C. Complaints issued for violations of city ordinances and criminal offenses are issued by the police department. These complaints are not prenumbered and a complaint log is not maintained to track the issuance and disposition of these complaints. Furthermore, complaints that are not signed by the City Attorney are discarded after thirty days. To ensure complaints are properly turned into the municipal division for processing, complaints should be prenumbered and accounted for in a complaint log.

Conditions similar to A.2-4. and B. were also noted in our prior report.

WE RECOMMEND the city of Sullivan Municipal Division:

A.1. Indicate the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of monies transmitted or deposited.

2. Restrictively endorse all checks and money orders immediately upon receipt.

3. Deposit receipts on a daily basis or when accumulated receipts exceed $100.

4. Transmit receipts intact on a daily basis to the City Collector or when accumulated receipts exceed $100.

B. Request the police department maintain complete records to account for the numerical sequence and disposition of all bond forms issued.

C. Request the police department issue prenumbered complaints and maintain records to account for the numerical sequence and disposition of all complaints issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A.1. We will try to implement this.

2. This is being done.

3&4. The Court Clerk also serves as the city's assistant billing clerk and time does not always permit deposits/transmittals to be made timely.

B. We will request the police department to properly account for the bond forms.

C. We will request the police department issue prenumbered complaint forms and properly account for them.

8. City of Union Municipal Division

A. Court receipts were not transmitted to the City Collector for deposit into the city treasury on a timely basis. Also, deposits into the CVC and POSTC accounts maintained by the Court Clerk were not made on a timely basis. Our review of March, 1998 and August, 1997 records indicated the Court Clerk transmitted/deposited a total of approximately $800 every three to four days. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, court receipts should be transmitted or deposited intact daily or when accumulated receipts exceed $100.

B. The Court Clerk is responsible for all aspects of court record keeping, including receiving, recording, and transmitting court costs and fines as well as depositing, issuing checks and reconciling bank accounts for CVC and POSTC fees. The City Clerk reviews monthly bank reconciliations; however, there is no independent supervisory review of the reconciliation between recorded receipts and transmittals/deposits. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted/deposited.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Union Municipal Division:

A. Transmit or deposit receipts intact daily or when accumulated receipts exceed $100.

B. Establish a documented independent comparison of receipt slips issued to amounts transmitted/deposited.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. We will try to make deposits as often as possible and will ensure the money is secured until it is deposited.

B. This will be done.

This report is intended for the information of the management of the various municipal divisions of the Twentieth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Twentieth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our prior report issued for two years ended 1993 and 1994 and our report on the city of Owensville Municipal Division for the two years ended June 30, 1994. The prior recommendations that have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal division should consider implementing these recommendations.

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

1. City of Bland Municipal Division

A.1. Some bond monies received were deposited in the city's police account instead of the bond account.

2. A listing of open items was not prepared and reconciled monthly to the bond balance. In addition, bond monies that applied to fines and costs were not remitted to the city treasury.

B.1. The records maintained by the court did not classify the receipts into fines, court costs, LET, and CVC.

2. Some of the monthly amounts noted as being collected for CVC according to the collector's journal were not actually paid to the state.

C. The municipal division did not indicate all case dispositions on the court docket.

D. The municipal division did not forward some required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP).

Recommendation:

The city of Bland Municipal Division:

A.1. Deposit all bond monies into the city's bond bank account.

2. Prepare a monthly listing of open items and reconcile these listings to monies held in trust by the court. In addition, bonds applied to fines and court costs should be remitted to the city treasury on a timely basis.

B. 1. Maintain classified schedules of receipts to document amounts collected for fines, court costs, LET, and CVC.

2. Determine CVC fees due to the state and remit those amounts, and ensure that future CVC collections be remitted in accordance with state law.

C. Document all case dispositions on the court docket and ensure that the Municipal Judge signs the docket.

D. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A-D. Implemented.

2. City of Gerald Municipal Division

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B.1. Fines and court costs were not deposited on a timely basis.

2. Prenumbered receipt slips were not listed in numerical sequence on the receipts journal.

C.1. Neither the receipt slips nor the bond forms issued by the police department for the receipt of bonds were prenumbered.

2. Several bonds received and disbursed were not recorded in the bond ledger.

3. A monthly listing of open items (liabilities) was not prepared.

D. LET and CVC fees were charged on dismissed court cases and were not charged on all municipal ordinance violations.

E. Complaints were not prenumbered and a complaint log was not maintained to track the issuance and disposition of these complaints.

Recommendation:

The city of Gerald Municipal Division:

A. Properly segregate duties or establish a documented periodic review of municipal division records by an independent person.

B.1. Deposit receipts on a daily basis or when accumulated receipts exceed $100.

2. Maintain a receipts journal that records all receipt slips in numerical sequence and account for the numerical sequence of receipt slips.

C. 1. Request the police department to issue prenumbered receipt slips or bond forms for all bond monies received and account for their numerical sequence.

2. Ensure all bonds are recorded in the bond ledger.

3. Prepare a monthly listing of open items and reconcile these listings to monies held in trust by the court.

D. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

E. Request the police department issue prenumbered complaints and maintain records to account for the numerical sequence and disposition of all complaints issued.

Status:

A&
B.l. Not implemented. See MAR No. 1.

B.2&
C-E. Implemented.

3. City of Hermann Municipal Division

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B.1. Fines and court costs were not transmitted to the city on a daily basis.

2. Checks received for the payment of fines and court costs were not restrictively endorsed until the deposits were prepared.

C. The court had $323 of interest earned on an old bank account that had not been remitted to the city but remained in the current bank account.

D. The summonses were not prenumbered and a summons log was not maintained to track the issuance and disposition of these summonses.

Recommendation:

The city of Hermann Municipal Division:

A. Properly segregate duties or establish a documented periodic review of municipal division records by an independent person.

B. 1. Transmit receipts on a daily basis to the city or when accumulated receipts exceed $100.

2. Restrictively endorse all checks immediately upon receipt.

C. Pay the $323 in interest over to the city.

D. Request the city attorney issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

Status:

A&D. Not implemented. See MAR No. 2.

B.1&2, &C. Implemented.

4. City of New Haven Municipal Division

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B. A detailed, or cost control, ledger was not maintained to account for all court monies received.

C.1. There was $4,306 and $5,191 in bond monies received for the years ended June 30, 1994 and 1993, respectively, for which receipt slips were not issued.

2. Two bonds over a year old remained in the municipal division's bank account.

D. The LET and CVC fee was assessed on dismissed cases for traffic violations while only LET was assessed on dismissed cases for all municipal ordinance violations.

E. The court did not charge Independent Living Center (ILC) Fund fees on drug-related offenses and intoxication-related traffic offenses.

F. The court did not file with the city a monthly report of all cases heard in court.

G. The municipal division did not indicate all case dispositions on the court docket.
H. The summonses were not prenumbered and a summons log was not maintained to track the issuance and disposition of these summonses.

Recommendation:

The city of New Haven Municipal Division:

A. Properly segregate duties or establish a documented periodic review of municipal division records by an independent person.

B. Maintain a cash control ledger of all court monies received.

C. 1. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

2. Attempt to locate those defendants who are entitled to a cash bond refund and return the bond amount. For those bonds that the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.

D. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

E. Collect the ILC fee in accordance with state law.

F. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

G. Document all case dispositions on the court docket and ensure that the Municipal Judge signs the docket.

H. Request the police department issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

Status:

A-G. Implemented.

H. Not implemented. See MAR No. 3.

5. City of Pacific Municipal Division

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B.1. Fines and court costs were not deposited on a timely basis.

2. Checks received for the payment of fines and court costs were not restrictively endorsed until the deposits were prepared.

C.1. All bonds and their disposition were not properly recorded in the bond ledger.

2. The municipal division's bank account had fifty-two bonds over one year old, and twenty-nine of those bonds were over five years old.

D. CVC, LET, and POSTC fees were charged on nonmoving traffic violations and dismissed cases.

E. The municipal division allowed defendants to pay fines and court costs over a period of time. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant had not been established.

F. The municipal division did not indicate all case dispositions on the court docket and the Municipal Judge did not sign the docket.

Recommendation:

The city of Pacific Municipal Division:

A. Properly segregate duties or establish a documented periodic review of municipal division records by an independent person.

B. 1. Deposit receipts on a daily basis or when accumulated receipts exceed $100.

2. Restrictively endorse all checks immediately upon receipt.

C. 1. Ensure all bonds along with their disposition are recorded in the bond ledger.

2. Attempt to locate those defendants who are entitled to a cash bond refund and return the bond amount. For those bonds that the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.

D. Assess LET, CVC, and POSTC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

E. Establish a control ledger and periodically reconcile it to the card files and warrant files.

F. Document all case dispositions on the court docket and ensure the Municipal Judge signs the docket.

Status:

A,B.1, &C.1. Not implemented. See MAR No. 5.

B.2, C2,D, & F. Implemented.

E. Not implemented. The municipal division has implemented collections procedures that have significantly reduced the amounts owed to less than $550. Although not repeated in our current report, our recommendation remains as stated above.

6. City of St.Clair Municipal Division

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B.1. Receipt slips issued by the municipal division did not indicate the method of payments received.

2. The Court Clerk did not issue a receipt slip to the City Collector for some monies collected by the City Collector's office and forwarded to the court.

C.1. Neither the receipt slips nor the bond forms issued by the police department for the receipt of bonds were prenumbered.

2. Receipt slips were not issued for bonds received from other courts.

3. As of April 30, 1994, eighteen bonds over one year old remained in the municipal division's bank account. Two bonds were over six years old.

D. CVC and LET fees were charged on dismissed court cases.

E. The court did not charge Independent Living Center (ILC) Fund fees on drug-related offenses and intoxication-related traffic offenses.

F. The municipal division allowed defendants to pay fines and court costs over a period of time. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant had not been established.

G. Eleven restitution accounts had been inactive within the past year.

H. The court did not file with the city a monthly report of all cases heard in court.

I.1. Summonses issued by the police department were not prenumbered and the numerical sequence was not accounted for.

2. Complaints were not prenumbered and a complaint log was not maintained.

3. Neither the police department nor the court maintained adequate records to account for all parking tickets issued.

Recommendation:

The city of St. Clair Municipal Division:

A. Properly segregate duties or establish a documented periodic review of municipal division records by an independent person.

B.1. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

2. Issue receipt slips to the City Collector for monies transmitted.

C.1. Request the police department to issue prenumbered receipt slips or bond forms for all bond monies received and account for their numerical sequence of the receipt slips or bond forms.

2. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

3. Attempt to locate those defendants who are entitled to a cash bond refund and return the bond amount. For those bonds that the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.

D. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

E. Collect the ILC fee in accordance with state law.

F. Establish a control ledger and periodically reconcile it to the docket pages.

G. Attempt to determine the proper disposition of these monies and issue checks to the appropriate parties. If the appropriate parties cannot be located, turn these monies over to the state's Unclaimed Property Section.

H. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

I.1. Request the police department issue prenumbered summonses (non-traffic) and maintain records to account for the numerical sequence and disposition of all summonses issued.

2. Issue prenumbered complaints and maintain records to account for the numerical sequence and disposition of all complaints issued.

3. Account for the numerical sequence and ultimate disposition of each parking ticket assigned and issued.

Status:

A,B.1, C.2, & D-F. Implemented.

B.2. & H. Not implemented. Although not repeated in our current report, our recommendations remain as stated above.

C.1,C.3,G, I.1&2. Not implemented. See MAR No. 6.

I.3. Not implemented. The police department issues an average of ten parking tickets each year. Although not repeated in our current report, our recommendation remains as stated above.

7. City of Sullivan Municipal Division

A.1. Receipt slips issued for the receipt of bonds and restitutions were not prenumbered.

2. Checks received for the payment of fines and court costs were not restrictively endorsed immediately upon receipt.

3. Bonds and restitution monies were not deposited to their respective bank account on a timely basis.

4. Fines and court costs were not transmitted to the City Collector on a daily basis and were not transmitted intact.

B. The police department did not maintain adequate records to account for the numerical sequence of bond forms.

C. CVC and LET fees were charged on dismissed court cases.

D. The court did not charge Independent Living Center (ILC) Fund fees on drug-related offenses and intoxication-related traffic offenses.

E. The court did not file with the city a monthly report of all cases heard in court.

F. Traffic and summons ticket books were not issued to the police officers in numerical sequence.

Recommendation:

The city of Sullivan Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

2. Restrictively endorse all checks immediately upon receipt.

3. Deposit receipts on a daily basis or when accumulated receipts exceed $100.

4. Transmit receipts intact on a daily basis to the City Collector or when accumulated receipts exceed $100.

B. Request the police department to account for the numerical sequence of all bond forms issued by ensuring information is recorded in the appearance bond ledger for all bond form numbers.

C. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

D. Collect the ILC fee in accordance with state law.

E. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

F. Request the police department issue traffic and summons ticket books to police officers in numerical sequence and that ticket books be returned by terminated employees.

Status:

A.1.&
C-F. Implemented.

A.2-B. Not implemented. See MAR No. 7.

8. City of Union Municipal Division

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B. Fines and court costs were not transmitted to the City Collector on a daily basis and were not transmitted intact.

C. CVC fee was charged on dismissed court cases and LET fee was not being assessed for all municipal ordinance violations.

D. The Municipal Judge did not sign the docket after dispositions were recorded.

E. The summonses were not prenumbered and a summons log was not maintained to track the issuance and disposition of these summonses.

Recommendation:

The city of Union Municipal Division:

A. Properly segregate duties or establish a documented periodic review of municipal division records by an independent person.

B. Transmit receipts intact on a daily basis to the City Collector or when accumulated receipts exceed $100.

C. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

D. Require the judge's signature on the court dockets.

E. Request the police department issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

Status:

A&B. Not implemented. See MAR No. 8.

C, D, & E. Implemented.

9. City of Washington Municipal Division

A. At March 31, 1994, nine bonds over one year old remained in the municipal division's bank account. One bond was over fifteen years old.

B. LET and CVC fees were charged on dismissed court cases.

C. Complaint and information forms were not prenumbered and a log was not maintained to track the issuance and disposition of these forms.

Recommendation:

The city of Washington Municipal Division:

A. Attempt to locate those defendants who are entitled to a cash bond refund and return the bond amount. For those bonds that the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.

B. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

C. Request the police department issue prenumbered summonses and maintain records to account for the numerical sequence and disposition of all summonses issued.

Status:

A-C. Implemented.

TWENTIETH JUDICIAL CIRCUIT
CITY OF OWENSVILLE, MISSOURI
MUNICIPAL DIVISION

1. Missing Funds

Some money collected by the court was not deposited. A total of $4,994 was misappropriated.

Recommendation:

The municipal division, along with the city, review the situation and take the necessary actions to obtain restitution of the $4,994.

Status:

Implemented. The former Court Clerk pled guilty to the charge of stealing and has paid full restitution to the city.

2. Receipt Procedures

A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.

B. Receipt slips were not prenumbered and they were not reconciled to deposits.

C. Fines and court costs were not deposited on a timely basis and the court cashed checks for several city employees.

D. Monthly bank reconciliations were not performed.

Recommendation:

The municipal division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits.

B. Issue prenumbered receipt slips for all monies received. In addition, deposits should be reconciled to receipt slips issued to ensure all collections are deposited intact.

C. Deposit all court receipts on a daily basis or when accumulated receipts exceed $100. In addition, cashing of checks from court receipts should be prohibited.

D. Perform monthly bank reconciliations and ensure these reconciliations are performed by someone independent of the receiving and recording functions.

Status:

A. Not implemented. See MAR No. 4.

B. Partially implemented. Prenumbered receipt slips are being issued, however, they are not being reconciled to deposits. See MAR No. 4.

C. Partially implemented. Our audit procedures noted no instances of employee checks being cashed from court receipts. However, deposits are still not made on a timely basis. See MAR No. 4.

D. Implemented.

3. Bond Procedures

A. Neither the receipt slips nor the bond forms issued by the police department for the receipt of bonds were prenumbered.

B. Receipt slips were not issued by the court clerk for all bond monies received.

C. Bond monies received were not deposited intact.

D. A monthly listing of open items (liabilities) was not prepared.

E. Not all bond disbursements were made by check.

F. The municipal division bond records included three bonds which were collected in prior years but had not been disbursed.

Recommendation:

The municipal division:

A. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for their numerical sequence.

B. Issue prenumbered receipt slips for all bond monies received and account for the numerical sequence of the receipt slips. In addition, receipt slips issued should be reconciled to bank deposits.

C. Deposit all bond receipts intact on a daily basis or when accumulated receipts exceed $100.

D. Prepare monthly listings of open items (liabilities) and reconcile these listings to the bank balance.

E. Make all bond disbursements by check.

F. Attempt to locate those defendants who are entitled to a cash bond refund and return the bond amount. For those bonds that the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.

Status:

A,B,
E&F. Implemented.

C. Partially implemented. Bond receipts are deposited intact, but not all receipts are deposited timely or when they exceed $100. See MAR No. 4.

D. Not implemented. However, few bonds are held at any one time and the June 30, 1998, bond balance was easily identified. Although not repeated in our current report, our recommendation remains as stated above.

4. Court Procedures

A. The municipal division allowed defendants to pay fines and court costs over a period of time. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant had not been established.

B. Fines and court costs collected were not paid to the city treasury on a monthly basis.

C. The municipal division did not indicate all case dispositions on the court docket. In addition, the municipal judge did not sign the court docket.

D. Complaints were not prenumbered and a complaint log was not maintained to track the issuance and disposition of these complaints.

Recommendation:

The municipal division:

A. Establish a control ledger and periodically reconcile it to the computerized receivable records.

B. Transmit fines and court costs to the city treasury on a monthly basis as required by state law.

C. Document all case dispositions on the court docket and ensure that the Municipal Judge signs the docket.

D. Request the police department issue prenumbered complaints and maintain records to account for the numerical sequence and disposition of all complaints issued.

Status:

A. Implemented.

B&D. Not implemented. See MAR No. 4.

C. Partially implemented. The case dispositions are on the court docket, but the Municipal Judge is not signing all the court dockets. Although not repeated in our

current report, our recommendation remains as stated above.

5. Court Costs

A. LET and CVC fees were collected on dismissed court cases and were not collected on all city ordinance violations.

B. The court did not remit the state portion of CVC fees to the state on a monthly basis.

Recommendation:

The municipal division:

A. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

B. Disburse CVC to the state on a monthly basis and maintain documentation of how the amount disbursed was determined.

Status:

A. Partially implemented. The Court Clerk is assessing the correct CVC and LET fees; however, these costs are still charged on dismissed cases. Although not repeated in our current report, our recommendation remains as stated above.

B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTIETH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organization

The Twentieth Judicial Circuit is composed of Franklin, Gasconade, and Osage counties. The Honorable John Brackman serves as Presiding Judge. There are ten municipal divisions within the Twentieth Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Bland

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections. Fines and court costs are deposited directly into the city treasury daily. Bonds are deposited into the City Collector's account and disbursed by check at the end of the month to the City Treasurer's bond account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Robert Adams
City Clerk/Court Clerk	Rita Medlock

* Prior to January 1996, Ferdinand Havener served as Municipal Judge.

Caseload Information

	Year Ended June 30,	
	1998	1997

Number of cases filed	170	235

2. City of Gerald

Organization

The Deputy City Clerk serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, bonds and restitutions are deposited into court bank accounts. Fines and court costs are disbursed by check to the city treasury and state on a monthly basis. Restitution is disbursed to the victim upon receipt. Bond monies remain in a separate court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Robert Adams
Deputy City Clerk/Court Clerk	Carmen Angell

Caseload Information

	Year Ended December 31,	
	1998	1997
Number of cases filed	82	158

3. City of Hermann

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are transmitted directly to the City Clerk. Bond monies are deposited into a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Donald Coulter
Court Clerk	Phyllis Kallmeyer

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	205	199

4. City of New Haven

Organization

The City Treasurer serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are transmitted directly to the City Collector. Bond monies are deposited into a court bank account pending disposition. Restitution monies are also deposited into the bond bank account pending collection of the full restitution amount at which time it is disbursed to the victim. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Gregory Sheehan
City Treasurer/Court Clerk*	Vicki Fastrow

* Prior to November 1995, Barb Helling served as the City Treasurer/Court Clerk.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	544	361

5. City of Owensville

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts: a bond account and a court costs, fines and restitution account. Fines and court costs are deposited into a court bank account and remitted to the city at the end of the fiscal year. A check is written every month and mailed to the state for CVC fees. Very few restitution payments are received and they are disbursed to the victim upon receipt. Bond monies are deposited into a bond account pending disposition of the case. Court is held once a month. A TVB has been established to receive payment of fines and court cots at times other than during court.

Personnel

Municipal Judge	Donald Coulter
Court Clerk	Cindy Stranghoener

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	177	175

6. City of Pacific

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and restitutions are deposited into a court bank account. Fines and court costs are disbursed by check to the city treasury and state on a monthly basis. Restitution is disbursed to the victim upon receipt. Bond monies are deposited into a separate court bank account pending disposition. Court is held twice a month with a third court held every three months. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Barbara Smith
Court Clerk	Marigene Reed

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	2,805	1,785

7. City of St. Clair

Organization

A part-time city employee serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, bonds and restitutions are deposited into court bank accounts. Fines and court costs are disbursed by check to the city treasury and state on a monthly basis. Restitution is disbursed to the victim upon receipt. Bond monies remain in a separate court bank account pending disposition. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Nick Gasaway
Court Clerk	Dorothy Hawkins

* Prior to June 1996, Stanley D. Williams served as Municipal Judge.

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	1,083	1,113

8. City of Sullivan

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs (other than CVC and POSTC) are transmitted to the City Collector. Bond, CVC, and POSTC monies are deposited into a court bank account; bond monies are held pending disposition while the CVC and POSTC monies are disbursed to the state and city on a monthly basis. Restitution monies are deposited into a separate court bank account pending collection of the full restitution amount at which time it is disbursed to the victim; larger receipts are disbursed to the victim upon receipt. Court is held three times monthly. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Don A. Peterson
Court Clerk	Andrea Holland

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	1,028	859

9. City of Union

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs (excluding the state's portion of CVC and POSTC) are transmitted to the City Collector on a periodic basis. The state's portion of the CVC and POSTC are deposited into separate court accounts with payment made to the state monthly. Bond monies are deposited into a court bank account pending disposition. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge*	Leneigha Downs
Court Clerk	Carol Bean

* L. E. Crews served as Municipal Judge prior to November 1996. Donald Coulter served as interim judge until July 31, 1997.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	800	644

10. City of Washington

Organization

A city employee serves as the Court Clerk, assisted by two other full-time city employees and one part-time city employee, and is responsible for recording transactions as well as handling collections and disbursements. The division transmits fines and court costs to the City Collector who then deposits them into the city's bank account. Bond and restitution monies are deposited into separate court bank accounts pending disposition. Court is held three times a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

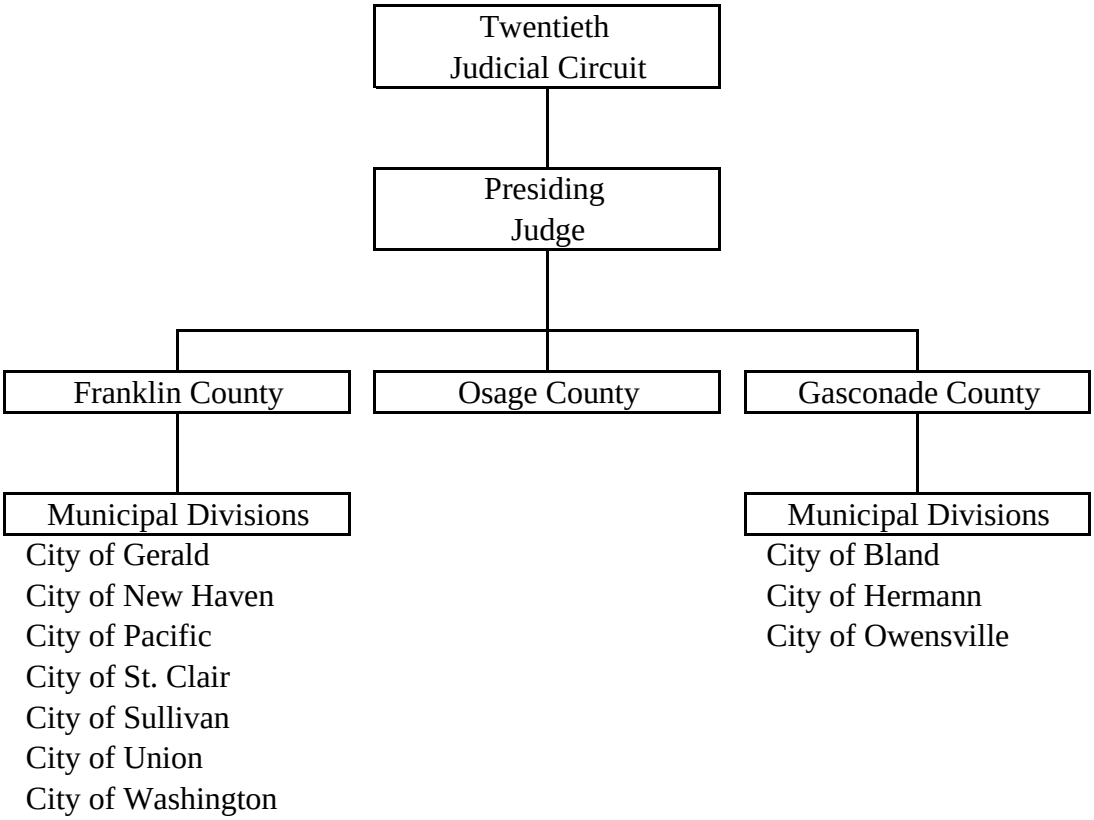
Personnel

Municipal Judge	Craig Hellmann
Court Clerk	Cindy Buescher

Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed	1,986	2,073

TWENTIETH JUDICIAL CIRCUIT
ORGANIZATION CHART



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AUDIT REPORT

THIRTY-FOURTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

PEMISCOT COUNTY, MISSOURI

TWO YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-28
April 29, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following audit report presents our findings and recommendations for the municipal divisions of the Thirty-Fourth Judicial Circuit in Pemiscot County. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Caruthersville	*pages 21-26*
City of Cooter	*pages 26-28*
City of Hayti	*pages 28-30*
City of Hayti Heights	*pages 30-34*
City of Holland	*pages 34-37*
City of Steele	*pages 37-40*
City of Wardell	*pages 40-43*

The City of Homestown Municipal Division was reported on separately.

Actions taken by the various municipal divisions of the Thirty-Fourth Judicial Circuit in Pemiscot County on recommendations made in the prior report are noted on pages 45-60.

YELLOW SHEET

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI

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THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI

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MANAGEMENT ADVISORY REPORT

Management Advisory Report-State Auditor's Current Recommendations

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Thirty-Fourth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri as of and for the years ended June 30, 1998 and 1997, and December 31, 1997 and 1996, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four through eight, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

The internal controls and accounting records of the city of Hayti Municipal Division were inadequate. Summons forms issued by the police department were not prenumbered and records containing the numerical sequence and ultimate disposition of each summons form issued by the police department were not maintained. In addition, records accounting for the numerical sequence

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and ultimate disposition of each traffic ticket issued by the police department for the city of Hayti were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

The internal controls and accounting records of the city of Steele Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

The internal controls and accounting records of the city of Cooter Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket and complaint form issued by the police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended December 31, 1997 and 1996.

The internal controls and accounting records of the city of Holland Municipal Division were inadequate. A ledger or listing of cash funds received and disbursed was not maintained. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket and complaint form issued by the police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended December 31, 1997 and 1996.

The internal controls and accounting records of the city of Wardell Municipal Division were inadequate. Receipts were not deposited intact and city employees cashed personal checks from court monies. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended December 31, 1997 and 1996.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding five paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, as of and for the years ended June 30, 1998 and 1997, and December 31, 1997 and 1996, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

We also had planned to audit the accompanying special-purpose financial statements of the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997. These special-purpose financial statements are the responsibility of the municipal divisions' management.

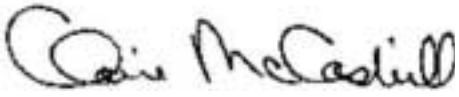
The internal controls and accounting records of the city of Caruthersville Municipal Division were inadequate. A ledger or listing of cash bonds received and disbursed was not maintained. Records containing the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not adequately maintained and court receipts were not deposited intact As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1998 and 1997.

Due to internal control weaknesses and missing records for the city of Hayti Heights Municipal Division, we were unable to satisfy ourselves by appropriate tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1998 and 1997.

Because of the effects of the matters discussed in the preceding two paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statements of the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 7, 1998, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

October 7, 1998 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Thirty-Fourth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, as of and for the years ended June 30, 1998 and 1997, and December 31, 1997 and 1996, and have issued our report thereon dated October 7, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Hayti, the city of Steele, the city of Cooter, the city of Holland, and the city of Wardell for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statements of the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated October 7, 1998. In that report we did not express an opinion on those special-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed material instances of noncompliance that are required to be reported under *Government Auditing Standards* and which

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are presented in the accompanying Management Advisory Report. We also noted certain other instances of noncompliance which are presented in that report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Claire McCaskill
State Auditor

October 7, 1998 (fieldwork completion date)

Financial Statements

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Caruthersville Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 127,957	160,089
Total Receipts	127,957	160,089
DISBURSEMENTS		
City treasury	110,956	140,234
State of Missouri (Note 3)	0	0
Refunds and other	17,534	14,866
Total Disbursements	128,490	155,100
RECEIPTS OVER (UNDER) DISBURSEMENTS	-533	4,989
CASH, JULY 1	7,247	2,258
CASH, JUNE 30	$ 6,714	7,247

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Hayti Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 55,571	61,984
Total Receipts	55,571	61,984
DISBURSEMENTS		
City treasury	50,344	58,502
State of Missouri	2,386	2,041
Refunds and other	3,187	1,567
Total Disbursements	55,917	62,110
RECEIPTS OVER (UNDER) DISBURSEMENTS	-346	-126
CASH, JULY 1	1,105	1,231
CASH, JUNE 30	$ 759	1,105

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Hayti Heights Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 1,278	1,887
Total Receipts	1,278	1,887
DISBURSEMENTS		
City treasury	1,278	1,887
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	1,278	1,887
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Steele Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 42,770	37,702
Total Receipts	42,770	37,702
DISBURSEMENTS		
City treasury	37,729	34,506
State of Missouri	1,392	1,114
Refunds and other	3,353	1,315
Total Disbursements	42,474	36,935
RECEIPTS OVER (UNDER) DISBURSEMENTS	296	767
CASH, JULY 1	999	232
CASH, JUNE 30	$ 1,295	999

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FOURTH JUDICIAL JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

		City of Cooter	
		Year Ended December 31,	
		1997	1996
RECEIPTS			
Fines, costs, bonds, and other	$	16,017	23,437
Total Receipts		16,017	23,437
DISBURSEMENTS			
City treasury		20,190	18,818
State of Missouri		360	548
Refunds and other		1,697	605
Total Disbursements		22,247	19,971
RECEIPTS OVER (UNDER) DISBURSEMENTS		-6,230	3,466
CASH, JANUARY 1		6,255	2,789
CASH, DECEMBER 31	$	25	6,255

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

		City of Holland Year Ended December 31,	
		1997	1996
RECEIPTS			
Fines, costs, bonds, and other	$	6,894	9,648
Total Receipts		6,894	9,648
DISBURSEMENTS			
City treasury		6,889	8,269
State of Missouri		147	152
Refunds and other		53	1,054
Total Disbursements		7,089	9,475
RECEIPTS OVER (UNDER) DISBURSEMENTS		-195	173
CASH, JANUARY 1		212	39
CASH, DECEMBER 31	$	17	212

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Wardell Year Ended December 31,	
	1997	1996
RECEIPTS		
Fines, costs, bonds, and other	$ 2,643	4,910
Total Receipts	2,643	4,910
DISBURSEMENTS		
City treasury	2,643	4,910
State of Missouri (Note 3)	0	0
Refunds and other	0	0
Total Disbursements	2,643	4,910
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JANUARY 1	0	0
CASH, DECEMBER 31	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Thirty-Fourth Judicial Circuit of the state of Missouri located in Pemiscot County. The city of Homestown Municipal Division is reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998, 1997, and 1996, all bank account balances reported for the municipal divisions of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Cooter, the city of Hayti, the city of Holland, and the city of Steele. Amounts remitted by the cities to the state are not included in the financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, as of and for the years ended June 30, 1998 and 1997, and December 31, 1997 and 1996, and have issued our report thereon dated October 7, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Hayti, the city of Steele, the city of Cooter, the city of Holland, and the city of Wardell for the applicable fiscal periods.
We also had planned to audit the special-purpose financial statements of the municipal divisions of the city of Caruthersville and the city of Hayti Heights as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated October 7, 1998. In that report we did not express an opinion on those special-purpose financial statements.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Caruthersville Municipal Division

A. During our review we noted the following concerns related to receipts:

1) The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

2) Receipts are not always deposited intact or into the bank account for which the receipt slip was written. We noted many instances where the Court Clerk deposited fine receipts from fines into the bond account and bond receipts into the fines account. As a result, the Court Clerk sometimes refunded monies out of the wrong account.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact. To maintain proper accountability, monies should be deposited into the bank account for which the receipt slip was written.

3) Bank reconciliations are not prepared for the court's bank accounts. In addition, the Court Clerk does not maintain a record of the bank account balance in the accounting records. A record of the bank account balance and monthly bank reconciliations are necessary to ensure the accounts are in agreement with the accounting records and to detect errors on a timely basis.

4) The Court Clerk sometimes disburses fines in cash to the city's Criminal Investigations Fund. The monies are originally receipted by the Court Clerk into either the fines account or the bond account and subsequently transmitted in cash by the Court Clerk to the city's Criminal Investigations Fund. To ensure proper accountability, monies collected should be deposited to a court bank account and subsequently disbursed by check.

5) The Court Clerk does not maintain a bond ledger and does not reconcile pending bonds (open items) to funds held in trust. A bond ledger is necessary to ensure all bonds have been recorded and accounted for properly. Open items should be reconciled monthly to bond monies held in trust to ensure funds are sufficient to meet liabilities.

B. The court allows defendants to make partial payments on fines and court costs. During our review, we noted the following concerns relating to amounts owed to the court:

1) The Court Clerk does not reconcile control listings of cases with balances due to the detailed accounts receivable records. A periodic reconciliation is necessary to ensure accounts receivable are accounted for properly.

2) The Court Clerk writes off uncollectible accounts with verbal approval from the Police Chief. The Municipal Judge does not review the accounts receivable or approve writing off uncollectible accounts. During the two years ended June 30, 1998, the Court Clerk wrote off receivables totaling approximately $30,000. Of this amount, approximately $10,700 was reinstated as an accounts receivable when a partial payment or a payment in full was subsequently received by the Court Clerk.

The Court Clerk should write off accounts receivable only after obtaining documented approval from the judge. To aid in ensuring the judge reviews the accounts receivable on a periodic basis for appropriate action, the court should consider instituting a continuance docket wherein the defendant would continue to appear on the docket until the fine and court costs were paid or a write off is authorized by the judge.

3) The court allows defendants to perform community service (work detail) in lieu of payment of fines and court costs. However, adequate documentation is not maintained to support amounts credited to defendants for community service performed. A time sheet indicating the date, hours worked, and the work performed should be completed by the defendant and approved by the work detail supervisor to ensure that hours are being worked.

C. We noted the following concerns related to traffic tickets and complaint forms.

1) The police department uses complaint forms that are not prenumbered by the printer. In addition, a log is not maintained to account for the complaint forms and their ultimate disposition.

To ensure all complaints are properly submitted to the court, prenumbered complaint forms should be issued and their numerical sequence accounted for properly.

2) Neither the police department nor the municipal division maintains adequate records to account for traffic tickets issued and their ultimate disposition. In addition, the police department did not maintain records to account for traffic ticket books assigned. While individual officers are responsible for maintaining logs with details regarding the issuance or disposition of each ticket, the police department could not provide all of the logs used during the audit period.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department and the municipal division cannot be assured all tickets issued are submitted to the court for processing.

D. We noted three instances where charges were either reduced or dropped by the Police Chief without documented approval by the City Attorney. The Police Chief indicated he consults with the City Attorney prior to reducing or dropping charges; however, the City Attorney does not sign the ticket to document his approval.

E. The Municipal Judge does not always document her review of the dispositions recorded on the court docket by the Court Clerk. To ensure the proper disposition of all cases, the Municipal Judge should document her review of the dispositions entered into the court docket.

F. From January 1, 1997 to June 30, 1998, Peace Officer Standards and Training Commission (POSTC) fees totaling $1,155 were retained by the city instead of being remitted to the state. Section 590.140, RSMo Cumulative Supp. 1998, requires POSTC fees to be remitted to the state monthly.

G. Although the municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule, which is to be prominently posted at the TVB, the amount of fines and court costs to be imposed for each offense.

Conditions similar to A.1., A.2., A.4., A.5., C.2. and G were also noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Caruthersville as of and for the years ended June 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Caruthersville Municipal Division:

A.1. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Deposit court receipts intact daily or when accumulated receipts exceed $100.

3. Maintain a record of the bank account balance and reconcile this balance to the monthly bank statement.

4. Deposit all monies into the bond or fines bank account and make subsequent disbursements by check.

5. Maintain a bond ledger and periodically reconcile open items to funds held in trust.

B.1. Periodically reconcile control listings of cases with balances due to the detailed accounts receivable records.

2. Write off uncollectible accounts receivable only after review and approval by the Municipal Judge.

3. Maintain documentation for community service work performed.

C.1. Request the city obtain prenumbered complaint forms.

2. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets.

D. Ensure the Prosecuting Attorney documents his dismissal or reduction of charges on traffic tickets.

E. Fully document all cases and their disposition on a court docket and ensure the Municipal Judge reviews and signs the docket to indicate approval of the recorded disposition.

F. Transmit $1,155 to the state for POSTC fees. In the future, ensure POSTC fee collections are disbursed monthly.

G. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A.1. A person has been assigned the duties of reviewing and reconciling of receipts and deposits.

2. This was implemented.

3. The individual in A.1. will reconcile bank account balances to monthly bank statements and the Court Clerk will maintain a record of the bank account balance.

4. Deposits into bonds and fines accounts and the writing of checks for all disbursements are now being done.

5. A new peg-board system has been ordered, also a computer programmer will be in to review modification of our computer software to better track our whole court docket system.

B.1. When the peg-board system is implemented and the computer programs changed, we hope to better reconcile control listings of cases with balances due.

2. Write offs of accounts will be done with the overview and consent of the Municipal Judge.

3. Records for community service work are being kept at this time.

C.1. Prenumbered complaints are just not practical. Most complaints are computer generated and others are taken manually out on the streets when situations arise that make it more feasible to do so. Complaints are given a case number when the form is processed at the police station and the forms can be tracked by the case number.

2. A new system has been implemented to account for all tickets and their dispositions.

D. All reductions and dismissals of charges on traffic tickets will be documented.

E. All cases and their dispositions on court dockets are being documented, reviewed and signed by the Judge for approval of recorded dispositions.

F. The check is being processed at this time.

G. A court order has been issued to establish a TVB effective March 18, 1999 and a list of fines and costs has always been posted.

2. City of Cooter Municipal Division

A. During our review we noted the following concerns related to receipts:

1) The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

2) The police department employee occasionally collects court monies when the Court Clerk is not available; however, this individual is not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.

3) The Court Clerk does not maintain a bond ledger and does not reconcile pending bonds (open items) to funds held in trust. A bond ledger is necessary to ensure all bonds have been recorded and accounted for properly. Open items should be reconciled monthly to bond monies held in trust to ensure funds are sufficient to meet liabilities.

B. Neither the police department nor the municipal division maintains adequate records to account for all traffic tickets issued and their ultimate disposition. In addition, the police department did not maintain records to account for traffic ticket books assigned.

Without a proper accounting of the numerical sequence and disposition of traffic tickets, the police department and the court cannot be assured all tickets issued are submitted to the court for processing.

C. Although the municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule, which is to be prominently posted at the TVB, the amount of fines and court costs to be imposed for each offense.

WE RECOMMEND the city of Cooter Municipal Division:

A.1. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Request the city to obtain bond coverage for all individuals handling court monies.

3. Maintain a bond ledger and periodically reconcile open items to funds held in trust.

B. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.

C. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A.1. The city's Certified Public Accountant will review the reconciliation between receipts and deposits of the Cooter Municipal Court monthly activity. The Judge compares receipt slips to deposit slips and the court docket to ensure records are in agreement. This review will be documented in the future.

2. Bond coverage has been obtained for all individuals handling court monies..

3. A bond ledger shall be utilized and periodically reconciled for open items to funds held in trust.

B. The Police Department will more strictly account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued to correct the issuing of traffic books out of sequence to patrol cars.

C. A court order shall be made establishing the TVB and the fines list shall be posted.

3.	**City of Hayti Municipal Division**

A. During our review we noted the following concerns related to receipts:

1) The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no

supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits by an independent person.

2) Court receipts are not deposited in the municipal division bank account on a timely basis. The Court Clerk makes deposits approximately once or twice a month with the deposits averaging approximately $3,500. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

3) Receipts are not always deposited intact. The police department sometimes uses cash receipts for expenditures related to drug investigations even though a separate petty cash fund is maintained by the police department for drug investigations. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact. Disbursements for drug investigations should be made solely from the police department's petty cash fund.

4) Bank reconciliations are not prepared for the municipal division bank account. In addition, the Court Clerk does not maintain a record of the bank account balance in the accounting records. A record of the bank account balance and monthly bank reconciliations are necessary to ensure the account is in agreement with the accounting records and to detect errors on a timely basis.

5) The Court Clerk does not maintain a bond ledger and does not reconcile pending bonds (open items) to funds held in trust. A bond ledger is necessary to ensure all bonds have been recorded and accounted for properly. Open items should be reconciled monthly to bond monies held in trust to ensure funds are sufficient to meet liabilities.

B. We noted the following concerns related to traffic tickets and summons forms.

1) Complaint forms are prepared by local citizens with the help of the police department. The forms are forwarded to the City Attorney for review. Upon approval by the City Attorney, the Court Clerk prepares a summons form which is forwarded to the defendant. The summons forms are not prenumbered and therefore, cannot be accounted for properly.

2) Neither the police department nor the municipal division maintains adequate records to account for all summons forms and traffic tickets issued and their ultimate disposition. A log is maintained to track the ticket books assigned to each officer, but no detail regarding the issuance or disposition of each ticket is maintained.

Without a proper accounting of the numerical sequence and ultimate disposition of summons forms and traffic tickets, the police department and the municipal division cannot be assured all tickets issued are submitted to the court for processing.

C. Although the municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule, which is to be prominently posted at the TVB, the amount of fines and court costs to be imposed for each offense.

Conditions similar to A. and B. were also noted in our prior report.

WE RECOMMEND the city of Hayti Municipal Division:

A.1. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Deposit receipts intact daily or when accumulated receipts exceed $100.

3. Deposit all court receipts intact and make all drug investigation expenditures from the petty cash fund.

4. Maintain a record of the bank account balance and reconcile the court bank account to this balance monthly.

5. Maintain a bond ledger and periodically reconcile listings of open items to funds held in trust.

B. Request the city obtain prenumbered summons forms. In addition, the municipal division should work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and summons forms issued.

C. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A.1. Due to the size of our city government we will not be able to segregate the duties, although we will establish some independent person to review the receipts and deposits.

2. Deposits are now being made on a more timely basis intact.

3. We will set up a petty cash drawer to only be used for drug investigation expenditures.

4. We are already maintaining a record of the bank account and reconciling the court bank account monthly.

5. We will implement a procedure to reconcile open items to funds held in trust.

B. This will be discussed with the Judge and Police Chief in regards to complaints and summonses. We already account for the numerical sequence of traffic tickets and have their dispositions on the computer. We do not believe it is cost-beneficial to use prenumbered summons forms. The Court Clerk completes an information sheet and assigns a case number when summons forms or complaint forms are turned in to the court. We believe our current procedures provide adequate control.

C. We will establish a court order for the TVB.

4.	City of Hayti Heights Municipal Division

The city of Hayti Heights operated a municipal division only during the three month period of July through September 1996 and also for the month of October 1997. Since that time, the city has not had a police department, and no court sessions have been held. During our review, we noted the following concerns related to court procedures. These recommendations should be considered for implementation if the city re-establishes a municipal division.

A. During our review we noted the following concerns related to receipts:

1) The City Clerk and Police Department were responsible for collecting court monies and issuing receipt slips for payments received. However, receipt slips were retained only for August 11, 1997 through September 10, 1997. Since complete records were not available, we could not apply auditing procedures to records originating from this time period. The municipal division needs to ensure all court records are retained in accordance with Supreme Court Administrative Rule 8.04 which requires records to be retained five years or upon completion of an audit if sooner.

2) The available receipt slips were not prenumbered by the printer and did not indicate the method of payment. To adequately account for receipts and ensure receipts are deposited intact, prenumbered receipt slips should be issued indicating the method of payment and the composition of monies received should be reconciled to the composition of bank deposits.

3) The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To adequately safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits by an independent person.

4) Receipts are not deposited intact or on a timely basis. Court receipts are commingled with other city monies upon deposit and may be deposited in any of the city's five bank accounts.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100.

5) All court receipts are supposed to be deposited in the police bank account. Bank reconciliations are not prepared for the police bank account. In addition, the Court Clerk does not maintain a record of the bank account balance in the accounting

records. A record of the bank account balance and monthly bank reconciliations are necessary to ensure the account is in agreement with the accounting records and to detect errors on a timely basis.

6) The Court Clerk does not maintain a bond ledger and does not reconcile pending bonds (open items) to funds held in trust.

A bond ledger is necessary to ensure all bonds have been recorded and accounted for properly. Open items should be reconciled monthly to bond monies held in trust to ensure funds are sufficient to meet liabilities.

7) Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

B. The final disposition of each case is not always documented on the court docket. In addition, court dockets were not always signed by the Municipal Judge. The ultimate disposition of each case should be recorded on the docket to ensure the proper disposition has been recorded in the court records. Further, the dockets should be signed by the Municipal Judge.

C. Neither the police department nor the municipal division maintains adequate records to account for all traffic tickets assigned and issued, and their ultimate disposition. Of 500 tickets assigned to the city in 1994 by the MSHP, 103 tickets could not be accounted for by the police department or the municipal division.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department and the municipal division cannot be assured all traffic tickets issued are submitted to the court for processing.

D. Although the municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule, which is to be prominently posted at the TVB, the amount of fines and court costs to be imposed for each offense.

E. The city has authorized a $2 fee to be collected for the Law Enforcement Training (LET) Fund in accordance with Section 590.140, RSMo Supp. 1994. This fee is charged on all violations of municipal ordinances except cases dismissed by the court; however, the court does not maintain a record of LET fees collected. Section 590.140, RSMo Supp. 1994, requires that the monies collected from these fees be paid to the city and expended only for the purposes of training law enforcement officers. Without a proper accounting of the LET fees collected, it cannot be determined whether the monies have been paid to the city and expended only for the purposes allowed by state law.

F. CVC fees collected by the court have not been paid to the state Department of Revenue. Section 595.045, RSMo Cumulative Supp. 1998, requires 95 percent of CVC fees be paid monthly to the state. The court should establish procedures to ensure the proper amounts are paid to the state on a timely basis. In addition, the court should determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state.

G. The court allows defendants to make partial payments on fines and court costs. However, the court does not maintain individual subsidiary or control records to account for individual and total amounts owed to the court. As a result, the court could not determine the total amount currently owed by individuals with partial payment plans. Accounts receivable records are necessary to ensure proper follow up action is taken and to facilitate monitoring of amounts due.

With the exception of items A.1., A.2., and A.7., conditions were similarly noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Hayti Heights Municipal Division as of and for the years ended June 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Hayti Heights Municipal Division:

A.1 Retain all court records in accordance with Supreme Court Administrative Rule 8.04.

2. Issue prenumbered receipt slips for all monies collected, indicate the method of payment on each receipt slip, and reconcile the composition of receipts to the composition of bank deposits.

3. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

4. Deposit receipts intact daily or when accumulated receipts exceed $100.

5. Maintain a record of the bank account balance and reconcile the police bank account to this balance monthly.

6. Maintain a bond ledger and periodically reconcile open items to funds held in trust.

7. Restrictively endorse checks and money orders immediately upon receipt.

B. Fully document all cases and their disposition on the court docket.

C. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.

D. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

E. Maintain a record of the LET fees collected and forward this information to the city.

F. Determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state. In the future, the court should ensure all CVC fees are remitted to the state monthly as required by state law.

G. Establish and maintain individual subsidiary and control accounts receivable records.

AUDITEE'S RESPONSE

The Vice Mayor responded as follows:

The city does not have a Court Clerk, only a City Clerk who from time to time sits in on the court sessions to record the disposition of the court docket. During the period of 1996-97, the Police Department was located in a different building than the City Hall and the officers were responsible for their own records. This may or may not have been a good idea.

The city plans to and will hire the necessary staff whenever we re-establish the Police Department.

Prenumbered receipts will be ordered and used in the future.

A segregation of duties will take place when the city re-establishes its Police Department to ensure proper record keeping.

The city is very grateful for your recommendations and advice and will adhere to them in the future. The city is working on putting back together its Police Department and at that time we will be seeking further guidance from the State Auditor's office and the State Court Administrator's office as to the LET Funds and CVC Fees and other matters.

5. City of Holland Municipal Division

A. During our review we noted the following concerns relating to receipts:

1) The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

2) Bank reconciliations are not performed for the municipal division's bank account. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis.

3) The Court Clerk does not maintain a bond ledger and does not reconcile pending bonds (open items) to funds held in trust. A bond ledger is necessary to ensure all bonds have been recorded and accounted for properly. Open items should be reconciled monthly to bond monies held in trust to ensure funds are sufficient to meet liabilities.

B. A police department employee occasionally collects court monies when the Court Clerk is not available; however, this individual is not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.

C. Neither the police department nor the municipal division maintains adequate records to account for all traffic tickets/complaint forms issued and their ultimate disposition. In addition, the police department did not maintain records to account for traffic ticket books assigned.

Without a proper accounting of the numerical sequence and ultimate disposition of complaint forms and traffic tickets, the police department and the municipal division cannot be assured all tickets and complaint forms issued are submitted to the court for processing.

D. The city did not make monthly disbursements to the state Department of Revenue (DOR) for Crime Victims Compensation (CVC) fees and Peace Officer Standards and Training Commission (POSTC) fees. Various state laws require court costs collected to be remitted monthly. In addition, no documentation was maintained by the city or the municipal division which indicated how these fees were calculated or for which cases the disbursements were made. As a result, there is little assurance the court costs are properly distributed.

E. Although the municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and court costs to be imposed for each offense.

Conditions similar to A.1., A.3., A.4., and C. were also noted in our prior report.

WE RECOMMEND the city of Holland Municipal Division:

A.1. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Prepare monthly bank reconciliations.

3. Maintain a bond ledger and periodically reconcile open items to funds held in trust.

B. Request the city obtain bond coverage for all individuals handling court monies.

C. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued.

D. Remit court costs monthly to the state in accordance with state law, and retain documentation regarding calculation of the amounts disbursed.

E. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A.1. We agree to adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipt and deposits by an independent person.

2. We agree to prepare monthly bank reconciliations.

3. We agree to maintain a bond ledger and periodically reconcile open items to funds held in trust.

B. Bond coverage has been obtained for the Police Department employee and the City Clerk has always been bonded.

C. We agree to work with the Police Department to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued.

D. We agree to remit court costs monthly to the state in accordance with state law, and retain documentation regarding calculation of the amount disbursed.

E. A court order will be prepared.

6. City of Steele Municipal Division

A. During our review we noted the following concerns related to receipts:

1) The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person.

To adequately safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits by an independent person.

2) Court receipts are not deposited on a timely basis. The Court Clerk makes deposits approximately once a week. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed $100.

3) The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The Court Clerk does not always record the method of payment on receipt slips. To provide assurance all monies received have been properly deposited, each receipt slip should note the method of payment and the composition of receipts should be reconciled to the composition of bank deposits.

4) The Court Clerk does not maintain a bond ledger and does not reconcile pending bonds (open items) to funds held in trust. A bond ledger is necessary to ensure all bonds have been recorded and accounted for properly. Open items should be reconciled monthly to bond monies held in trust to ensure funds are sufficient to meet liabilities.

5) Some police officers collect fines and court costs. These individuals are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.

6) Checks and money orders are not restrictively endorsed until monies are deposited. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

B. Bank reconciliations for the municipal division bank account are not prepared. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis.

C. The municipal division does not prepare a court docket or indicate the disposition of all cases. The municipal division only prepares individual docket sheets on cases in which monies are due to the court.

Section 479.070, RSMo 1994, requires the proceeding for every case commenced before the court to be entered on a docket. To ensure the proper disposition has been entered in the court records by the Court Clerk, the Municipal Judge should ensure all cases are included on the docket and should review and sign the docket to indicate approval of the dispositions.

D. We noted the following concerns related to traffic tickets and complaint forms.

1) Neither the police department nor the municipal division maintains adequate records to account for all traffic tickets/complaint forms issued and their ultimate disposition. In addition, the police department did not maintain records to account for traffic ticket books assigned.

Without a proper accounting of the numerical sequence and ultimate disposition of complaint forms and traffic tickets, the police department and the municipal division cannot be assured all tickets and complaint forms issued are submitted to the court for processing.

2) We noted three of fifteen (20 percent) applicable offenses reviewed involving point violations were not forwarded to the Missouri State Highway Patrol (MSHP) as required by state law. Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

E. Although the municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule, which is to be prominently posted at the TVB, the amount of fines and court costs to be imposed for each offense.

Conditions similar to A.2., A.4., and D.1. were also noted in our prior report.

WE RECOMMEND the city of Steele Municipal Division:

A.1. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Deposit receipts intact daily or when accumulated receipts exceed $100.

3. Record the method of payment on all receipt slips issued and reconcile the composition of receipts to the composition of bank deposits.

4. Maintain a bond ledger and periodically reconcile the open items to funds held in trust.

5. Request the city consider obtaining bond coverage for all individuals handling court monies.

6. Restrictively endorse checks and money orders immediately upon receipt.

B. Prepare monthly bank reconciliations.

C. Fully document all cases and their disposition on the court docket.

D.1. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued.

2. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law.

E. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A.1. Our Certified Public Accountant reconciles receipts and deposits on a monthly basis. The Judge compares receipt slips to deposit slips and the court docket to ensure records are in agreement. This review will be documented in the future.

2. Deposits will be made to comply with the recommendation.

3. Receipt slips show method of payment and bank deposit slips show composition.

4. A ledger will be used for bonds that will be reconciled.

5. The city now has bond coverage for individuals handling monies.

6. Checks will be endorsed as recommended.

B. Monthly bank reconciliations will be made.

C. Cases will be fully documented on the court docket.

D.1. We will be working with the Police Department on the numerical sequence of traffic tickets and complaint forms assigned and issued.

2. These three exceptions must have been by oversight because it is the court's procedure to forward this information to the MSHP on convicted cases.

E. A court order will be prepared.

7. City of Wardell Municipal Division

A. During our review we noted the following concerns relating to receipts:

1) The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all of these duties. There is no independent reconciliation between receipts and deposits. In addition, there is no

supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

2) Court receipts are commingled with other city receipts and are not deposited intact. We noted numerous instances in which cash received was used to cash payroll and other checks for city employees and the public. To adequately safeguard receipts and reduce the risk or loss or misuse of funds, the practice of cashing personal checks should be discontinued and deposits should be made intact.

3) All police officers collect fines and court costs. These individuals are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.

B. Some fines and court costs assessed were not recorded on the court docket.

Section 479.070, RSMo 1994, requires the proceeding for every case commenced before the court to be entered on a docket. To ensure the proper disposition has been entered in the court records by the Court Clerk, the Municipal Judge should ensure all cases are included on the docket and should review and sign the docket to indicate approval of the dispositions.

C. We noted the following concerns related to traffic tickets and complaint forms.

1) Neither the police department nor the municipal division maintains adequate records to account for all traffic tickets/complaint forms issued and their ultimate disposition. In addition, the police department did not maintain records to account for traffic ticket books assigned.

Without a proper accounting of the numerical sequence and ultimate disposition of complaint forms and traffic tickets, the police department and the municipal division cannot be assured all tickets and complaint forms issued are submitted to the court for processing.

2) We noted four of seventeen (23 percent) applicable offenses reviewed involving point violations were not forwarded to the Missouri State Highway Patrol (MSHP) as required by state law. Section 302.225, RSMo Cumulative Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

D. Although the city of Wardell Municipal Division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB. The city of Wardell Municipal Division also processes cases for traffic tickets and summonses issued by the city of Homestown Police Department. The court

allows fines and court costs for certain offenses to be paid directly to the city of Homestown; however, a TVB also has not been established at the city of Homestown by a court order.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and court costs to be imposed for each offense.

E. CVC fees collected by the court are deposited directly into the city treasury. The Court Clerk computes the amount due to the state and the city disburses the state's portion of CVC fees to the DOR; however, 95 percent of the CVC fees collected are remitted to the DOR only for moving traffic violations. CVC fees collected on other cases are not remitted to the DOR as required by law.

Section 595.045, RSMo Cumulative Supp. 1998, requires 95 percent of all CVC fees collected be paid monthly to the state. The court should establish procedures to ensure the proper amounts are paid to the state on a timely basis. In addition, the court should determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state.

F. While a schedule of fines and court costs to be collected at the TVB for certain offenses is available, we noted that the TVB schedule does not include all applicable offenses which can be paid at the TVB. In addition, we noted that the fines and court costs schedule has not been updated since October 1992.

The court should take appropriate action to ensure all applicable offenses to be paid at the TVB are included on the schedule, and that fines and court costs are assessed and collected in accordance with the revised TVB schedule.

Conditions similar to A.1., B, C.1., D, E, and F. were also noted in our prior report.

WE RECOMMEND the city of Wardell Municipal Division:

A.1. Adequately segregate the duties or establish a documented supervisory review of the reconciliation between receipts and deposits by an independent person.

2. Discontinue cashing personal checks with official receipts and deposit all monies intact.

3. Request the city consider obtaining bond coverage for all individuals handling court monies.

B. Fully document all cases and their disposition on the court docket.

C.1. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued.

2. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law.

D. Prepare a court order to authorize the establishment of the TVB's at the cities of Wardell and Homestown.

E. Determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state. In the future, the court should ensure all CVC fees are remitted to the state monthly as required by state law.

F. Ensure the TVB schedule includes the amount of fines and court costs for every offense which can be paid at the TVB.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A.1. The duties of Court Clerk remain the same. The Judge will try to review the Clerk's record when court is held monthly.

2. A separate checking account has been established for the court. All receipts are deposited intact and there is no check cashing in any department.

3. The police officer is bonded as well as the Clerk and the water and sewer superintendent.

B. The Judge and Clerk are trying to ensure all cases are on the docket.

C.1. Traffic tickets are prenumbered and we only have one police officer. Used and voided tickets are filed numerically to ensure all tickets are used. We will get prenumbered complaint forms to ensure they are kept properly.

2. All is done to ensure tickets are sent within ten days.

D. A court order will be prepared by the Judge to establish a TVB at Wardell. The city of Wardell Municipal Division no longer processes cases for Homestown.

E. The Court Clerk tries to send CVC fees to the state monthly. The Court Clerk calculated the amount owed to the state and paid it.

F. The new Municipal Judge will request the Court Clerk and the City Attorney to update the schedule of offenses.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS - PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by seven of the municipal divisions of the Thirty-Fourth Judicial Circuit, Pemiscot County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended 1991, 1992, and 1993 and our report on the city of Hayti Heights Municipal Division for the two years ended June 30, 1992. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal division should consider implementing these recommendations.

1. City of Caruthersville Municipal Division

   A. The duties of receiving, recording, and depositing court monies were not adequately segregated.

   B.1. Receipt slips were not prenumbered.

   2. Receipts were not deposited timely.

   3. Receipts were not deposited intact.

   4. Receipt slips did not indicate the method of payments received.

   C.1. Cash bonds were held by the Court Clerk until disposition of the case and were not always deposited into a bank account.

   2. A bond ledger was not maintained.

   D. Checks issued by the municipal division were not prenumbered.

   E.1. The court did not maintain a traffic ticket log to document the traffic ticket books assigned to each police officer.

   2. Neither the police department nor the municipal division accounted for the numerical sequence of traffic tickets issued, and their ultimate disposition.

   3. The animal control officer did not use prenumbered tickets for animal control violations.

   F. Not all individuals who collected fines and court costs were bonded.

   G. The court did not indicate the disposition of all cases on the court docket and court costs collected did not agree to the amounts recorded on the docket..

   H. The court did not charge LET fees on non-traffic ordinance violations.

I. The court did not forward required records of some convictions on traffic offenses to the MSHP within ten days.

Recommendation:

The city of Caruthersville Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

2. Deposit receipts daily or when accumulated receipts exceed $100.

3. Deposit receipts intact and reconcile the total receipt slips to bank deposits.

4. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

C.1. Open a bank account for the deposit of all cash bonds, and make subsequent disbursements of the bonds by check.

2. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled monthly to the bonds held in trust by the court.

D. Obtain and use prenumbered checks for all disbursements and account for the numerical sequence.

E.1. &2. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

3. Obtain and use prenumbered animal control tickets for animal control violations and account for the numerical sequence of those tickets.

F. Request the city to consider obtaining bond coverage for all individuals handling court monies.

G. Record on the court docket all cases heard before the Municipal Judge. In addition, the disposition of these cases should be accurately recorded on the court docket.

H. Collect the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

I. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A., B.3.
C.2.
E.1.&
E.2. Not implemented. See MAR No. 1.

B.1,D,
F,&G. Implemented.

B.2. Partially implemented. Deposits are made approximately two to three times per week. Although not repeated in the current MAR, our recommendation remains as stated above.

B.4. Partially implemented. The division now indicates the method of payment on all receipt slips; however, the composition of receipts is not reconciled to the composition of deposits. See MAR No. 1.

C.1. Partially implemented. A bank account has been opened for cash bonds; however, some cash disbursements were made from bond receipts to the Criminal Investigation Fund. See MAR No. 1.

E.3. Partially implemented. Separate tickets for animal control violations are no longer used. The police department issues Uniform Traffic Tickets for all city ordinances; however, the numerical sequence of all traffic tickets is not accounted for properly. See MAR No.1.

H. Based on statutory changes effective July 1, 1997, LET fees are to be collected on all cases including non-moving traffic violations.

I. Partially implemented. Minor errors were noted. Although not repeated in the current MAR, our recommendation remains as stated above.

2. City of Hayti Municipal Division

A. The duties of receiving, recording, and depositing court monies were not adequately segregated.

B.1. Receipts were not deposited timely.

2. Receipts were not deposited intact.

C. Cash received from court receipts was used to make petty cash expenditures and expenditures related to drug investigations.

D. Formal bank reconciliations were not prepared. The Court Clerk did not maintain a record of the bank account balance in the accounting records.

E.1. A bond ledger was not maintained.

2. A monthly listing of open items (liabilities) was not prepared.

F.1. The court did not maintain a traffic ticket log to document the traffic ticket books assigned to each police officer.

2. Neither the police department nor the municipal division accounted for the numerical sequence of traffic tickets issued, and their ultimate disposition.

G. Not all individuals who collected fines and court costs were bonded.

H. Adequate procedures to follow-up on amounts owed to the municipal division had not been established.

I. Some fines and court costs collected did not agree to the TVB schedule and the Municipal Judge did not document an assessment of a different amount.

J. A $2 LET fee and $5 CVC fee were mistakenly charged on court cases involving nonmoving traffic violations and cases dismissed by the court.

K. A court order had not been issued to formally establish the TVB. The schedule of fines and court costs had not been posted at the TVB.

Recommendation:

The City of Hayti Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

B.1. Deposit receipts daily or when accumulated receipts exceed $100.

2. Deposit receipts intact and reconcile the total receipt slips to bank deposits.

C. Deposit all court receipts intact and make all petty cash and drug investigation expenditures from separate funds which are maintained by the police department on an imprest basis.

D. Maintain a record of the bank account balance and reconcile the court bank account to this balance monthly.

E.1. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances.

2. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust by the court.

F. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

G. Request the city to consider obtaining bond coverage for all individuals handling court monies.

H. Establish procedures to maximize the collection of fines and court costs owed to the court. In addition, all uncollectible accounts receivable should be written off following review and approval by the Municipal Judge.

I. Collect the proper amount of fines and court costs in accordance with the TVB schedule or in accordance with the Municipal Judge's order.

J. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

K. Prepare a court order to authorize the establishment of a TVB and prominently post a schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense.

Status:

A.,B.1.
D.,E.1.,
& K. Not implemented. See MAR No. 3.

B.2. Partially implemented. The Court Clerk reconciles total receipt slips to bank deposits; however, deposits are not always made intact. See MAR No. 3.

C. Partially implemented. A bank account was opened for expenditures related to drug investigations and a $50 petty cash fund was initiated; however, the police department occasionally used cash collected from fines and costs for expenditures related to drug investigations. See MAR No. 3.

E.2. Partially implemented. An open items list is prepared; however, the Court Clerk does not reconcile the list to bonds held in trust. See MAR No. 3.

F. Partially implemented. Documentation of which ticket books are assigned to officers is maintained; however, the numerical sequence of traffic tickets is not accounted for. See MAR No. 3.

G. Partially implemented. Bonds were obtained for the Court Clerk and Police Chief; but not for all police officers who collected fines and court costs. Although not repeated in the current MAR, our recommendation remains as stated above.

H&I. Implemented.

J. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases including non-moving traffic violations.

3. City of Holland Municipal Division

A.1. Approximately $167 in bonds, fines, and court costs were received by the municipal division but were not deposited into the city treasury.

2. Receipt slips were not prenumbered.

3. Receipts were not deposited timely.

4. Receipt slips did not indicate the method of payments received.

5. Receipt slips were not issued for some monies received.

B. The duties of receiving, recording, and depositing court monies were not adequately segregated.

C. The court did not maintain a traffic ticket log to document the traffic ticket books assigned to each police officer. Neither the police department nor the municipal division accounted for the numerical sequence of traffic tickets issued, and their ultimate disposition.

D.1. A bond ledger was not maintained.

2. A monthly listing of open items (liabilities) was not prepared.

E. The court did not forward required records of some convictions on traffic offenses to the MSHP within ten days.

Recommendation:

The city of Holland Municipal Division:

A.1. Work with the city to review the situation and take the necessary actions, if any, to obtain restitution of the $167.

2. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

3. Deposit receipts daily or when accumulated receipts exceed $100.

4. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

5. Issue prenumbered receipts for all monies received.

B. Adequately segregate the duties of receiving, recording, depositing, and reconciling court receipts, and performing bank reconciliations. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

C. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

D.1. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances.

2. Prepare monthly listings of open items (liabilities) and reconcile to the bank balance.

E. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.

Status:

A.1. The municipal division reviewed the situation with the city and no further action was deemed necessary.

A.2., A.4.& A.5. Implemented.

A.3. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

B.C., D.1& D.2. Not implemented. See MAR No. 5.

E. Partially implemented. We did not note any records that were not forwarded to the MSHP. However, some records were not forwarded within the ten days required by state law. Although not repeated in the current MAR, our recommendation remains as stated above.

4. City of Steele Municipal Division

A.1. Cash bonds were held by the Court Clerk and were not deposited into a bank account.

2. A bond ledger was not maintained.

B.1. Neither the police department nor the municipal division accounted for the numerical sequence of traffic tickets issued, and their ultimate disposition.

2. Ticket books were not assigned to the police officers in numerical sequence.

3. Complaint forms were not prenumbered and a log was not maintained to track their issuance and disposition.

C. The court charged CVC fees on nonmoving violations and did not charge LET fees on all nontraffic ordinances.

D. Some CVC fees were not remitted by the city to the state Department of Revenue on a timely basis and the Court Clerk did not document her computations of the amounts due to the state.

E. Receipts were not deposited on a timely basis.

F. Adequate procedures to follow-up on amounts owed to the municipal division had not been established.

Recommendation:

The city of Steele Municipal Division:

A.1. Open a bank account for the deposit of all cash bonds, and make subsequent disbursements of the bonds by check.

2. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled monthly to the bonds held in trust by the court.

B.1. Work with the police departments to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

2. Request the police department to assign all traffic tickets in numerical sequence.

3. Obtain and use prenumbered complaint forms for non-traffic ordinance violations and account for the numerical sequence of those complaint forms.

C. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

D. Determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state. In the future, the court should ensure all CVC fees are remitted to the state monthly as required by state law.

E. Deposit receipts daily or when accumulated receipts exceed $100.

F. Maintain accounts receivable records in a centralized, systematic manner and follow up on delinquent payments. In addition, the Municipal Judge should review these records periodically.

Status:

A.1,B.2.
& F. Implemented.

A.2.,B.1,
&E. Not implemented. See MAR No. 6.

B.3. Partially implemented. The division now issues prenumbered complaint forms; however, the numerical sequence of the complaint forms is not accounted for properly. See MAR No. 6.

C. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases including non-moving traffic violations.

D. Partially implemented. The division now remits CVC fees to the state monthly; however, previously collected CVC fees have not been determined and turned over to the state. Although not repeated in the current MAR, our recommendation remains as stated above.

5. City of Wardell Municipal Division

A.1. Index cards used for recording fine and court costs payments did not agree to the payments received by the court.

2. Receipts were not deposited intact.

3. Receipt slips were not prenumbered.

4. Receipts were not deposited on a timely basis.

5. Not all individuals who collected fines and court costs were bonded.

B. The duties of receiving, recording, and depositing court monies were not adequately segregated.

C. Some fines and court costs collected did not agree to the TVB schedule and the Municipal Judge did not document an assessment of a different amount. Some of the offenses for which the Court Clerk collected fines and costs were not listed on the TVB schedule.

D. The Municipal Judge signed the back of the traffic tickets before the disposition of the case was entered on the tickets.

E. Court dockets were not prepared and retained for all cases heard before the Municipal Judge.

F. Summonses were not prenumbered and a log was not maintained to track their issuance and disposition.

G. A court order had not been issued to formally establish the TVB. The schedule of fines and court costs had not been posted at the TVB.

H. A $2 LET fee and $5 CVC fee were mistakenly charged on court cases involving nonmoving traffic violations and cases dismissed by the court.

I. Some CVC fees were not remitted by the city to the state Department of Revenue.

J. The Municipal Judge and Court Clerk were brother and sister-in-law.

K.1. A court order had not been issued to formally establish the TVB at Homestown.

2. Court costs, CVC fees, and LET fees were not collected for tickets which were paid prior to court at the city of Homestown.

Recommendation:

The city of Wardell Municipal Division:

A.1. Ensure that all available case documentation is reviewed before amounts due are collected from defendants to ensure that the proper amount is collected. In addition, the Court Clerk should ensure that the correct amounts are recorded as received on all applicable court records.

2. Deposit all receipts intact.

3. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.

4. Deposit receipts daily or when accumulated receipts exceed $100.

5. Request the city to consider obtaining bond coverage for all individuals handling court monies.

B. Adequately segregate the duties of receiving, recording, and depositing court monies. At a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits and the bank reconciliations.

C. Collect the proper amount of fines and court costs in accordance with the TVB schedule or in accordance with the Municipal Judge's order.

D. Sign the traffic tickets after the disposition has been entered on the tickets.

E. Prepare and retain court dockets listing all cases commenced before the court and the disposition of those cases.

F. Request the police department to obtain and use prenumbered summonses and to account for the numerical sequence of all summonses assigned, issued, and the ultimate disposition.

G. Prepare a court order to authorize the establishment of a TVB and to designate a TVB clerk.

H. Collect the $5 CVC fee and the $2 LET fee on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, in accordance with state law.

I. Determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state. In the future, the court should ensure all CVC fees are remitted to the state monthly as required by state law.

J. Review and discuss this situation with the Mayor and the Board of Aldermen to determine the proper resolution of any conflicts.

K.1. Prepare a court order to authorize the establishment of a TVB at the city of Homestown and to designate a TVB clerk.

2. Collect court costs, the $5 CVC fee, and the $2 LET fee on all violations of municipal ordinances in accordance with state law at the city of Homestown. In addition, 95 percent of all CVC fees collected at Homestown should be remitted to the state monthly.

Status:

A.1.&
A.3.,A.4.
C.,D. Implemented.

A.2.,B.,
F.,G.,I.,
&K.1. Not implemented. See MAR No. 7.

A.5. Partially implemented. A bond was obtained for the Court Clerk but not for all individuals who collected fines and court costs. See MAR No. 7.

E. Partially implemented. While a court docket is prepared and maintained, the disposition was not always recorded on the docket. See MAR No. 7.

H. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases including non-moving traffic violations.

J. Partially implemented. The Judge and the Court Clerk discussed the situation with the city council and no further action was deemed necessary. Although not repeated in the current MAR, our recommendation remains as stated above.

K.2. The division no longer collects fines and court costs for the city of Homestown.

THIRTY-FOURTH JUDICIAL CIRCUIT
CITY OF HAYTI HEIGHTS, MISSOURI
MUNICIPAL DIVISION

1. Missing Funds

At least $38,071 in court and city receipts were not deposited in the city bank accounts and were missing. An independent audit had not been performed since the year ended June 30, 1990.

Recommendation:

The municipal division:

A. Along with the city obtain legal guidance as to how to gain restitution of the $38,071.

B. Request the city officials obtain an independent audit of the city.

Status:

A. Information pertaining to the missing funds was provided to the Prosecuting Attorney. No further investigation or action occurred.

B. Not implemented. However, the city planned to have an independent audit for the year ended June 30, 1998.

2. Receipt Procedures

A. Receipts were not deposited intact or on a timely basis.

B. The duties of receiving, recording, and depositing monies collected by the municipal division were not segregated.

C. Undeposited receipts were kept in an unlocked file cabinet prior to deposit.

D. Formal bank reconciliations were not prepared.

Recommendation:

The municipal division:

A. Deposit all court receipts intact on a daily basis or when accumulated receipts exceed $100. In addition, deposits should be reconciled to the composition of receipt slips to ensure that all receipts are deposited intact.

B. Adequately segregate the duties of receiving and depositing court monies from the function of recording receipts.

C. Maintain undeposited receipts in a secure location.

D. Perform monthly bank reconciliations and ensure these reconciliations are performed by someone independent of the receiving and recording functions.

Status:

A.,B., &D. Not implemented. See MAR No. 4.

C. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Court Procedures

A. A court order had not been issued to formally establish the TVB.

B. A bond ledger was not maintained. A monthly listing of open items (liabilities) was not prepared.

C. Most cases and their dispositions were not documented on the court docket.

D. The court did not forward required records of some convictions on traffic offenses to the MSHP within ten days.

Recommendation:

The municipal division:

A. Prepare a court order to authorize the establishment of a TVB and to designate a TVB clerk.

B. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled monthly to the bonds held in trust by the city. All bond forfeitures and refunds should be made by check.

C.1. Ensure all cases are included on the court docket.

2. Fully document case dispositions and the amount of fines and court costs paid on the court records. In addition, the municipal judge should initial and date the court docket to ensure all cases and proceedings therein have been properly recorded in accordance with state law.

D. Forward records of all convictions on traffic offenses to the MSHP on a timely basis, as required by state law.

Status:

A.,B. C.2. Not implemented. See MAR No. 4.

C.1. We were unable to determine the status because of missing court records. See MAR No. 4.

D. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Accounts Receivable Procedures

The municipal division did not have a centralized system to account for amounts owed the court for partial payment plans.

Recommendation:

The municipal division maintain accounts receivable records in a centralized, systematic manner and maintain a receivable control ledger. This control ledger should be periodically reconciled to the detailed records.

Status:

Not implemented. See MAR No. 4.

5. Court Costs

A.1. CVC fees were charged on all nonmoving traffic violations.

2. CVC fees collected by the court were not paid to the state Department of Revenue.

B. No record was kept of LET fees collected.

Recommendation:

A.1. Collect the $5 CVC fee in accordance with state law.

2. Determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state. In the future, the court should ensure all CVC fees are remitted to the state monthly as required by state law.

B. Maintain a record of the LET fees collected and forward this information to the city. The city should maintain accountability over LET fees and ensure their proper use.

Status:

A.1. Based on statutory changes effective July 1, 1997, CVC fees are to be collected on all cases including non-moving traffic violations.

A.2. & B. Not implemented. See MAR No. 4.

6. Ticket Issuance Procedures

A. Ticket books were not assigned to the police officers in numerical sequence and a traffic ticket log was not maintained to document the traffic ticket books assigned to the police officers.

B. Neither the police department nor the municipal division accounted for the numerical sequence of traffic tickets issued, and their ultimate disposition.

Recommendation:

The municipal division work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets. A system should also be developed to account for the ultimate disposition of all traffic tickets.

Status:

Not implemented. See MAR No. 4.

STATISTICAL SECTION

History, Organization, and
Statistical Information

THIRTY-FOURTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY AND ORGANIZATION

Organization

The Thirty-Fourth Judicial Circuit is composed of New Madrid and Pemiscot counties. The Honorable Fred W. Copeland serves as Presiding Judge. There are twenty divisions within the Thirty-Fourth Judicial Circuit. Eight of these divisions are in Pemiscot County and seven of these divisions are included in this report. The city of Homestown Municipal Division is reported on separately. The municipal divisions in New Madrid County are also reported on separately.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 entitled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Caruthersville

   Organization

   The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The police dispatchers receive bond monies when the Court Clerk is not present. The police dispatchers transmit collections to the Court Clerk daily. Bond monies are deposited in a court bank account pending disposition. The court maintains a bank account for the deposit of fines and court costs. Amounts collected are transmitted by check to the city treasury once a month. Court is held once a week. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and costs at times other than during court.

   Personnel

Municipal Judge	Jacqueline Barnes
Court Clerk	Christi Watkins

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	1,471	1,759

2. City of Cooter

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The court maintains a bank account for the deposit of fines and court costs. The bond monies are held in the court's bank account pending disposition. The municipal division occasionally collects restitution for victims. Amounts collected are transmitted by check to the city treasury once a month. Court is held once a week. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and costs at times other than during court.

Personnel

Municipal Judge	Tommy German
City Clerk/Court Clerk	Vickie Taylor

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	103	142

3. City of Hayti

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The court maintains a bank account for the deposit of fines, court costs, and bonds. Amounts collected are transmitted by check to the city treasury and to the state on a monthly basis. Bond deposits remain in the bank account pending disposition. Court is held once a week. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and costs at times other than during court.

Personnel

Municipal Judge	George Metzger
Court Clerk	Glenda Overbey

Caseload Information

	Year Ended June 30, 1998	1997
Number of cases filed	638	606

4. City of Hayti Heights

Organization

The city of Hayti Heights operated a municipal division only during the three month period of July through September 1996 and also for the month of October 1997. Since late 1997, the city has not had a police department, and no court sessions have been held. During the time in which a court was in operation the City Clerk served as the Court Clerk and was responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds were deposited into a separate city account. Court was held once a month. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and costs at times other than during court.

Personnel

Municipal Judge	Jacklyn McGee
City Clerk/Court Clerk	Corine Parr

Caseload Information - Not Available

5. City of Holland

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The court maintains a bank account for the deposit of fines, court costs, and bonds. Amounts collected are transmitted by check to the city treasury on a monthly basis. Bond deposits remain in the bank account pending disposition. Court is held once a month. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and costs at times other than during court.

Personnel

Municipal Judge	Tommy German
City Clerk/Court Clerk	Geneva Rollins

Caseload Information

	Year Ended December 31,	
	1997	1996
Number of cases filed	61	77

6. City of Steele

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The court maintains a bank account for the deposit of fines, court costs, and bonds. Amounts collected are transmitted by check to the city treasury and to the state on a monthly basis. Bond deposits remain in the bank account pending disposition. Court is held once a week. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and costs at times other than during court.

Personnel

Municipal Judge	Tommy German
City Clerk/Court Clerk	Lillian Oates

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	251	218

7. City of Wardell

Organization

The City Collector serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Bond deposits remain in the city treasury pending disposition. Court is held twice a month. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and costs at times other than during court.

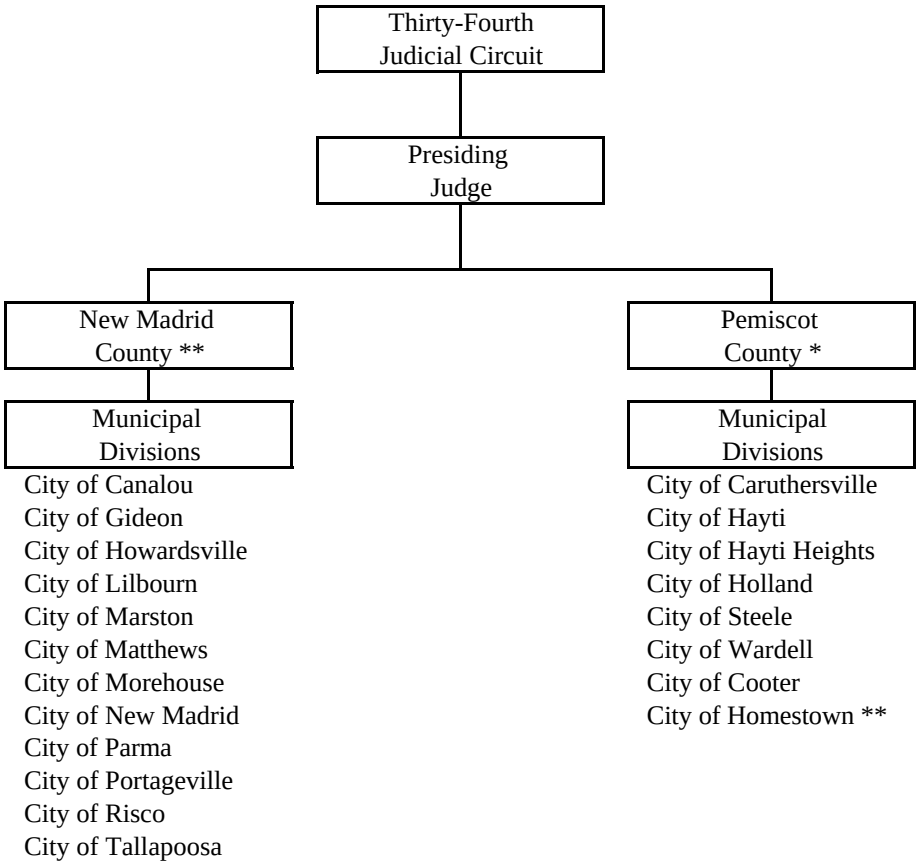
Personnel

Municipal Judge	Raymond Tanner
City Collector/Court Clerk	Juanita Tanner

Caseload Information

Year Ended December 31,	
1997	1996
31	62

THIRTY-FOURTH JUDICIAL CIRCUIT
ORGANIZATION CHART



* Included in this report.
**Reported on separately.

* * * * *

TWENTY-SEVENTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-27
April 28, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

The following audit report presents our findings and recommendations for the municipal divisions of the Twenty-Seventh Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Adrian	*pages 18-19*
City of Butler	*pages 19-21*
City of Clinton	*pages 21-23*
City of Rich Hill	*pages 23-25*
City of Windsor	*pages 25-27*

Actions taken by the various municipal divisions of the Twenty-Seventh Judicial Circuit on recommendations made in the prior report are noted on pages 28-35.

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENT

Presiding Judge
and
Municipal Judges
Twenty-Seventh Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions of the Twenty-Seventh Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; and March 31, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four through seven, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-Seventh Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Internal controls and accounting records of the city of Clinton Municipal Division were inadequate. Receipt slips were not issued for some monies received, and monies were not always deposited intact. In addition, records accounting for the numerical sequence and ultimate disposition of summonses issued by the police department were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended September 30, 1998 and 1997.

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Internal controls and accounting records of the city of Windsor Municipal Division were inadequate. Bond forms used by the police department to document the receipt of bond monies are not prenumbered. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended September 30, 1998 and 1997.

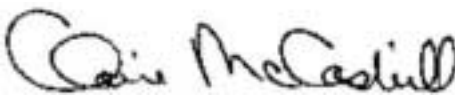
Internal controls and accounting records of the city of Butler Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket and complaint form issued by the police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended March 31, 1998 and 1997.

Internal controls and accounting records for the city of Rich Hill Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket and complaint form issued by the police department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended March 31, 1998 and 1997.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding four paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-Seventh Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; and March 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 29, 1998, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

October 29, 1998 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Twenty-Seventh Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions of the Twenty-Seventh Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; and March 31, 1998 and 1997, and have issued our report thereon dated October 29, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Clinton, the city of Windsor, the city of Butler, and the city of Rich Hill for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Twenty-Seventh Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Twenty-Seventh Judicial Circuit, we considered the municipal

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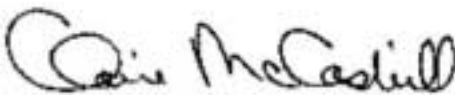
divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Twenty-Seventh Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

October 29, 1998 (fieldwork completion date)

Financial Statements

Exhibit A

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Clinton Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 123,416	96,683
Total Receipts	123,416	96,683
DISBURSEMENTS		
City treasury	101,492	82,575
State of Missouri (Note 3)	0	0
Refunds and other	21,412	14,424
Total Disbursements	122,904	96,999
RECEIPTS OVER (UNDER) DISBURSEMENTS	512	-316
CASH, OCTOBER 1	2,994	3,310
CASH, SEPTEMBER 30	$ 3,506	2,994

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Windsor Year Ended September 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 50,609	30,382
Total Receipts	50,609	30,382
DISBURSEMENTS		
City treasury	35,353	24,177
State of Missouri (Note 3)	2,387	2,010
Refunds and other	10,769	4,195
Total Disbursements	48,509	30,382
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,100	0
CASH, OCTOBER 1	245	245
CASH, SEPTEMBER 30	$ 2,345	245

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Adrian Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 12,882	15,942
Total Receipts	12,882	15,942
DISBURSEMENTS		
City treasury	12,474	15,377
State of Missouri (Note 3)	0	0
Refunds and other	102	565
Total Disbursements	12,576	15,942
RECEIPTS OVER (UNDER) DISBURSEMENTS	306	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 306	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Butler Year Ended March 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 57,983	28,420
Total Receipts	57,983	28,420
DISBURSEMENTS		
City treasury	53,291	26,864
State of Missouri (Note 3)	0	0
Refunds and other	4,757	2,675
Total Disbursements	58,048	29,539
RECEIPTS OVER (UNDER) DISBURSEMENTS	-65	-1,119
CASH, APRIL 1	1,486	2,605
CASH, MARCH 31	$ 1,421	1,486

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	City of Rich Hill (Note 4) Year Ended March 31,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 15,015	14,646
Total Receipts	15,015	14,646
DISBURSEMENTS		
City treasury	11,889	12,810
State of Missouri (Note 3)	0	0
Refunds and other	3,126	1,836
Total Disbursements	15,015	14,646
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, APRIL 1	0	0
CASH, MARCH 31	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Twenty-Seventh Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality, the county, or the state of Missouri, as applicable, and are not included in the financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses, and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury.

Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.
At the financial statement dates identified in the table of contents for the years ended 1998 and 1997, all bank account balances reported for the municipal divisions of the Twenty-Seventh Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include 80 percent of the court costs for cases heard by an Associate Circuit Judge, the judgement for the Motorcycle Safety Trust Fund; and the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the city of Windsor Municipal Division. Amounts remitted by the cities to the state are not included in the financial statements.

The city of Butler Municipal Division did not assess the Peace Officer Standards and Training Commission Fee.

4. City of Rich Hill

Bonds posted by defendants for the city of Rich Hill Municipal Division are deposited directly into the city treasury. The amounts held by the city at year-end could not be determined and, therefore, are not included in the financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions of the Twenty-Seventh Judicial Circuit as of and for the years ended September 30, 1998 and 1997; June 30, 1998 and 1997; and March 31, 1998 and 1997, and have issued our report thereon dated October 29, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Clinton, the city of Windsor, the city of Butler, and the city of Rich Hill for the applicable fiscal periods.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal divisions' special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Adrian Municipal Division

A. Although the municipal division operates a Traffic Violations Bureau (TVB) that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB. A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has been established; however, this schedule of fines and court costs has not been prominently posted at the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the municipal judge. Supreme Court Rule No. 37.49 requires the municipal judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and court costs to be imposed for each offense. In addition, this schedule of fines and court costs is required to be prominently posted at the TVB.

B. The city has established a formal schedule of fines and court costs to be collected on tickets paid to the Court Clerk; however, the fines and court costs are not always collected consistently. During our review, fines and court costs collected for seven of the nine cases tested did not agree to the schedule.

To ensure fine and costs amounts are properly charged, the Court Clerk should collect amounts at the TVB that are in agreement with the fine and cost schedule.

WE RECOMMEND the city of Adrian Municipal Division:

A. Issue a court order which authorizes the establishment of the TVB and prominently post the schedule of fines and costs at the TVB.

B. Collect fines and costs paid through the TVB in accordance with the established fines and costs schedule.

AUDITEE'S RESPONSE

The Court Clerk responded that these recommendations have been implemented.

2. City of Butler Municipal Division

A. Our review noted the following concerns related to receipts:

1. Fines and court costs collected by the municipal division are not deposited into the city treasury on a timely basis. Deposits are generally made weekly and average $870. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100.

2. Receipts are not always deposited intact. Court receipts representing voluntary contributions to the city are withheld from other court receipts and transmitted to the city in cash or by check rather than deposited into the city treasury by the Court Clerk. We noted one instance where $700 in cash was withheld from a deposit of court monies and transmitted to the city 14 days later. In addition, we noted one instance where $70 was refunded in cash from accumulated receipts. To properly account for all receipts and ensure they are properly deposited into the city treasury, receipts should be deposited intact and refunds made by check.

B. The municipal division has not implemented adequate procedures to follow up on bonds held for over one year. As of March 31, 1998, the balance of the municipal division's bond escrow account included bond receipts totaling $869 which have been held in excess of one year. In addition, two outstanding checks totaling $90 have remained in the division's bond account since 1992.

An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo 1994, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section. In addition, outstanding check should be periodically reviewed to determine if payees can be located and if the checks can be reissued. If the payees cannot be located, Sections 447.550 through 447.585, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.

C. Neither the police department nor the municipal division maintains adequate records to account for traffic tickets and complaint forms issued and their ultimate disposition. The police department records traffic tickets issued on its computer system; however, a listing of tickets issued is not printed to account for the numerical sequence. Complaint forms are not prenumbered nor is a log maintained of all complaints issued.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets and complaint forms, the police department and the municipal division cannot be assured that all traffic tickets and complaint forms issued are properly submitted to the court for processing. A record of the ultimate disposition of each traffic ticket and complaint form should be maintained to ensure all traffic tickets and complaint forms have been accounted for properly. In addition, the court should request the city obtain prenumbered complaint forms.

D. The Court Clerk collects fines, costs, and bond monies. The Court Clerk is only bonded for $2,000. Court collections for the year ending March 31, 1998, totaled more than $57,000. Failure to adequately bond all persons with access to assets exposes the court and the city to risk of loss.

E. The court does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the city of Butler Municipal Division:

A. Deposit receipts intact daily or when accumulated receipts exceed $100. In addition, all refunds should be made by check.

B. Dispose of unclaimed bonds in accordance with state law, and periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section in accordance with state law.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued. In addition, request the city obtain prenumbered complaint forms.

D. Request the city consider obtaining additional bond coverage for the Court Clerk.

E. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

AUDITEE'S RESPONSE

The Associate Circuit Judge and the Court Clerk responded as follows:

A&B. These recommendations have been implemented.

C. The Associate Circuit Judge recommended that the state come up with a program or procedure that only requires one set of sequential numbers.

D. We will discuss this with the city.

E. We will begin preparing this report for the city.

3. City of Clinton Municipal Division

A. We noted the following concerns related to fines and court costs received by the municipal division:

1) The municipal division accepts cash, checks, and money orders for fines and court costs and transmits monies directly to the city. Payment information, including the method of payment, is recorded on the municipal court's computer system. A report is generated indicating the composition of receipts; however, this report is not reconciled to the money transmitted to the city. To ensure receipts are transmitted intact, the composition of recorded receipts should be reconciled to the composition of money transmitted to the city.

2) Receipts are not always transmitted to the city on a timely basis. Fines and court costs collected are transmitted approximately weekly to the city. In addition, checks and money orders are not restrictively endorsed until after they are transmitted to the City Collector for deposit. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the city daily or when accumulated receipts exceed $100, and checks and money orders should be restrictively endorsed immediately upon receipt.

3) Receipts were not always transmitted to the city intact. We noted one instance where $40 cash was withheld from court receipts and paid to a probation officer for a community service fee. To properly account for all receipts and ensure they are properly transmitted to the city, receipts should be transmitted intact to the city and disbursement should be made by check.

B. The municipal division does not issue receipt slips for restitution monies received through the mail. In addition, the receipt slips used for restitution monies are duplicates with one copy given to the payor and one copy placed in the case file. As a result, the municipal division is unable to account for the numerical sequence of receipt slips issued for restitution monies. To adequately account for all restitution received, prenumbered receipt slips should be issued for all monies received and their numerical sequence accounted for properly.

C. Our review noted the following concerns relating to bonds:

1) A bond bank account is maintained by the municipal division for the deposit and withdrawal of bond monies. However, we noted several instances where bond monies were receipted, but held in cash pending court disposition. In one instance a $70 cash bond was held 16 days before being transmitted to the city and applied toward fines and court costs. This procedure increases the risk of loss, theft, or misuse of bond monies. To ensure monies are accounted for properly, all bonds should be deposited immediately into the bond bank account and subsequent disbursements made by check.

2) The municipal division does not issue receipt slips for bond monies received from other police departments or county sheriff departments. To adequately account for all bond monies received, prenumbered receipt slips should be issued by the municipal division for all bond monies immediately upon receipt and the receipt slips should be reconciled to bank deposits.

D. Neither the police department nor the municipal division maintains adequate records to account for all summons forms issued and their ultimate disposition. A summons log is maintained which indicates the summons book assigned to the police officers, but records are not maintained to account for the numerical sequence of the summonses issued or their ultimate disposition.

Without a proper accounting of the numerical sequence and disposition of summons forms, the police department and the court cannot be assured that all summons forms issued are properly submitted to the court for processing, properly voided, or not prosecuted.

This condition was also noted in our prior report.

WE RECOMMEND the city of Clinton Municipal Division:

A.1. Reconcile the composition of receipts to the composition of monies transmitted to the city.

2. Transmit receipts daily or when accumulated receipts exceed $100, and restrictively endorse all checks and money orders immediately upon receipt.

3. Transmit all receipts intact and make any disbursements by check.

B. Issue prenumbered receipt slips for all restitution money collected and account for their numerical sequence.

C.1. Deposit all bonds into the bond bank account immediately upon receipt. Subsequent disbursements of the bonds should be made by check.

2. Issue receipt slips for all bond monies received.

D. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk responded as follows:

A.1. This recommendation has been implemented.

A.2. Receipts have been held in order to have cash available to make change for court; however, the city will establish a change fund for the court. After the change fund is established, receipts will be transmitted to the City Collector daily and will be endorsed by the City Collector.

A.3. We will ensure receipts are transmitted intact to the city and make disbursements by check.

B. We are currently using prenumbered three-part receipt slips leaving one copy of the receipt slip in the receipt book to account for the numerical sequence.

C.1.& C.2. These recommendations have been implemented.

D. The summonses are not under the court's control until they are filed with the Court Clerk. We will cooperate with the police department in maintaining records to account for the numerical sequence. The Court Clerk has ordered new summons books with four copies, which will be issued to the police department, and which will allow one copy to remain in the book to account for the numerical sequence.

4. City of Rich Hill Municipal Division

A. The municipal division accepts cash, checks, and money orders for fines, court costs, and bonds. Payments are receipted directly into the city's computerized cash register and amounts received by the municipal division are commingled with other city receipts. The method of payment is entered into the cash register; however, reports containing this information are not generated. As a result, the composition of recorded receipts is not reconciled to the composition of bank deposits. To ensure receipts are deposited intact, the composition of recorded receipts should be reconciled to the composition of bank deposits.

B. The Court Clerk does not maintain a bond ledger and does not prepare monthly listings of open items (liabilities) and reconcile the listings to the city's bond account. Bond monies received are deposited into the city's bank account and recorded in a restricted cash account in the city's general ledger. This restricted cash account had a balance of $365 at March 31, 1998, that could not be identified to a specific case by the Court Clerk. During our review of the activity posted to this general ledger account, we identified a $150 bond posted in 1997 relating to a closed case that had not been refunded. In addition, we noted an $82 bond refund posted to this account; however, the related bond receipt was never posted to this account.

A bond ledger indicating the related case, date and amount of receipt, and date of disbursement is necessary to ensure proper accountability over bonds. A monthly listing of open items is also necessary to ensure accountability over open cases and to ensure monies held in trust by the city are sufficient to meet liabilities.

C. Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence traffic tickets issued and their ultimate disposition. The Court Clerk maintains a log for tickets received by the court listing each ticket number, the defendant, and the officer; however, the log is not complete. Information for some tickets has not been recorded. Neither the police department nor the Court Clerk could determine whether these tickets were issued, lost or voided. In addition, complaint forms are not prenumbered and no log is maintained for complaint forms issued.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets and complaint forms, the police department and the municipal division cannot be

assured that all traffic tickets and complaint forms issued are accounted for properly. A record of the ultimate disposition of each traffic ticket and complaint form should be maintained to ensure all traffic tickets and complaint forms have been accounted for properly. In addition, the court should request the city to obtain prenumbered complaint forms.

A similar condition was also noted in our prior report.

D. Although the city has established a formal schedule of fines and court costs to be collected on tickets paid through the TVB, the schedule is not prominently posted at the TVB. Section 479.050, RSMo, and Supreme Court Rule No. 37.49 require a schedule which designates the offenses within the authority of the TVB clerk, and the amount of fines and costs to be imposed for each offense, to be prominently posted at the TVB.

WE RECOMMEND the city of Rich Hill Municipal Division:

A. Indicate the method of payment for each receipt and reconcile the composition of the receipts to the composition of the deposit.

B. Maintain a bond ledger, prepare monthly listings of open items, and reconcile the listing to moneys held in trust by the city. In addition, the Court Clerk should determine disposition of monies remaining in the city's restricted bond account.

C. Work with the police department to ensure complete records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued. In addition, the municipal division should request the city obtain prenumbered complaint forms.

D. Prominently post the schedule of fines and costs at the TVB.

AUDITEE'S RESPONSE

The City Clerk responded as follows:

A.,B., &D. We will implement these recommendations.

C. We will work with the police department to maintain better records of tickets issued. We plan to issue a UTT form with a complaint form to provide a numerical sequence for complaint forms.

5. City of Windsor Municipal Division

A. The Court Clerk performs all duties related to the collection of fines, court costs, and bonds. As a result, the duties of receiving, recording, depositing monies, and reconciling the municipal division's bank account are not adequately segregated.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of the reconciliations between receipts and deposits and the bank reconciliations.

B. Our review noted the following concerns related to bonds:

1. Bond forms used by the police department to document the receipt of bond monies from a defendant are not prenumbered.

   To adequately account for bond monies, prenumbered bond forms or receipt slips should be issued for all bonds received by the police department and the numerical sequence should be accounted for properly.

2. The municipal division has not implemented adequate procedures to follow-up on bonds held over one year. As of September 30, 1998, the balance in the municipal division's bond account included bond receipts totaling $245 from cases dating back to 1994.

   An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo 1994, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

C. Neither the police department nor the municipal division maintains adequate records to account for all traffic tickets issued and their ultimate disposition. The police department instructs each police officer to maintain a listing of tickets issued, but some of the officers did not maintain a listing, and many of the listings were not complete. During our review, fifteen of the sixty tickets tested could not be located by the municipal division.

   Without a proper accounting of the numerical sequence and disposition of traffic tickets, the police department and the municipal division cannot be assured that all traffic tickets issued were properly submitted to the court for processing. A log listing the traffic ticket, the date issued, and the violator's name would ensure all traffic tickets were properly submitted to the court for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each traffic ticket should also be maintained to ensure all traffic tickets have been accounted for properly.

Conditions similar to parts B.1. and C. were also noted in our prior report.

WE RECOMMEND the city of Windsor Municipal Division:

A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits and a review of the monthly bank reconciliations.

B.1. Work with the police department to ensure prenumbered bond forms are issued and the numerical sequence is accounted for properly.

2. Follow up on bonds relating to inactive cases to determine if they should be refunded, forfeited, or turned over to the state's Unclaimed Property Section.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets assigned and issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded as follows:

A. The Municipal Judge now reviews bank reconciliations monthly and signs off on the bank reconciliation to document his review.

B.1. The police department now has prenumbered bond forms and is currently using them.

B.2. These bonds have been forfeited to the city.

C. The police department is now keeping records to account for the numerical sequence and ultimate disposition of all tickets. The court will cooperate with the police department and prosecutor in ultimately identifying the disposition of all tickets.

This report is intended for the information of the management of the various municipal divisions of the Twenty-Seventh Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Twenty-Seventh Judicial circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1993 and 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Adrian Municipal Division

A.1. Receipt slips did not indicate the method of payments received.

2. Receipt slips were not issued to the police department for monies transmitted to the Court Clerk.

B. The numerical sequence of tickets assigned by the MSHP was not accounted for properly.

C. The city did not consistently assess the $2 Law Enforcement Training (LET) and the $5 Crime Victim's Compensation (CVC) fees in accordance with state law.

Recommendation:

The city of Adrian Municipal Division:

A.1. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

2. Issue receipt slips or other documentation to the police department for monies transmitted.

B. Ensure records are maintained to account for the numerical sequence of all tickets assigned by the MSHP.

C. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

Status:

A.1. Partially implemented. The method of payment is now indicated on receipts issued; however, we noted some instances where the Court Clerk failed to indicate the method of payment. Although not repeated in our current MAR, our recommendation remains as stated above.

A.2,B,
& C. Implemented.

2. City of Butler Municipal Division

A.1. Receipt slips were not issued for some monies received.

2. Fines, court costs, and bond monies were not deposited on a timely basis.

3. Receipt slips issued by the municipal division did not always indicate the method of payments received.

B. The court clerks were not adequately bonded.

C. Neither the police department nor the court maintained adequate records to account for all traffic tickets issued and their ultimate dispositions.

D. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant on a payment plan was not established.

E. A monthly listing of bond open items (liabilities) was not prepared. Two bonds over one year old, totaling $738, remained in the municipal division's bond account.

F. Procedures to follow-up on old outstanding checks were not established. Three outstanding checks in the bond account totaling $190 were outstanding for over one year.

G.1. The $2 LET and the $5 CVC fees were collected on nonmoving traffic violations.

2. The $2 LET fee was collected on some nontraffic ordinance violations, but the $5 CVC fee was not assessed.

3. The $2 LET and the $5 CVC fees were collected on dismissed cases.

H. A monthly report of all cases heard in court was not filed with the City Clerk.

Recommendation:

The city of Butler Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

2. Deposit receipts on a daily basis or when accumulated receipts exceed $100.

3. Ensure receipts are deposited intact by indicating the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

B. Request the city consider obtaining adequate bond coverage for all persons handling court monies.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket issued.

D. Establish a control ledger and periodically reconcile it to the payment agreement forms.

E. Prepare a monthly listing of open items and reconcile these listings to monies held in trust by the court.

In addition, unclaimed bond monies should be disposed of by either forfeiting them to the city if the defendant failed to make the required court appearance, or by refund to the person who posted the bond. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over one year.

F. Investigate checks outstanding for over one year and take proper follow-up action. Also, all unclaimed bonds should be forwarded to the state's Unclaimed Property Section within one year of final court action in accordance with state law.

G. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

H. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

Status:

A.1. Implemented.

A.3. Partially implemented. The method of payment is indicated for each receipt; however, deposits are not always made intact. See MAR No. 2.

A.2,B, C, F, & H. Not implemented. See MAR No. 2.

D. Partially implemented. A computerized ledger has now been established; however, it is not reconciled periodically to the payment agreement forms. Although not repeated in the current MAR, our recommendation remains as stated above.

E. Partially implemented. An open items listing is prepared monthly; however, the court is still holding several bonds relating to old or inactive cases. See MAR No. 2.

G. Implemented. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all violations, including nonmoving.

3. City of Clinton Municipal Division

A.1. Receipt slips were not issued for some bond monies received.

2. The police department did not maintain adequate records to account for the numerical sequence of bond forms.

3. Several bonds over one year old were held in the municipal division's bond bank account.

B.1. Receipt slips issued for restitution monies were not prenumbered.

2. The municipal division did not obtain a receipt from the prosecutor's office for restitution monies transmitted.

C. Neither the police department nor the court maintained adequate records to account for all summons forms assigned and issued and their ultimate disposition.

D. The $2 LET and $5 CVC fees were charged on non-moving traffic violations and dismissed cases.

E. A monthly report of all cases heard in court was not filed with the City Clerk.

Recommendation:

The city of Clinton Municipal Division:

A.1. Issue prenumbered receipt slips for all bond monies received and account for the numerical sequence.

2. Request the police department to account for the numerical sequence of all bond forms issued by maintaining a log or an additional copy in numerical sequence.

3. Attempt to locate those defendants who are entitled to a cash bond refund and return the bond amount. For those bonds that the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.

B.1. Issue prenumbered receipt slips for restitution monies and account for the numerical sequence.

2. Obtain a receipt slip from the prosecuting attorney for restitution monies transmitted.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons form assigned and issued.

D. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

E. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

Status:

A.1 & C. Not implemented. See MAR No. 3.

A.2, A.3,B.2, D&E. Implemented.

B.1. Partially implemented. Prenumbered receipt slips are now issued for restitution monies; however, the numerical sequence is not accounted for properly. See MAR No. 3.

4. City of Rich Hill Municipal Division

A.1. Checks were not restrictively endorsed immediately upon receipt.

2. Receipts were not deposited intact. Employees were allowed to cash personal checks from the city's cash drawer.

B. Neither the police department nor the court maintained adequate records to account for all traffic tickets and summons forms issued. In addition, the summons forms issued by the police department were not prenumbered.

C. A control ledger accounting for the amount assessed, payments received, and the balance due from each defendant on a payment plan had not been established.

Recommendation:

The city of Rich Hill Municipal Division:

A.1. Restrictively endorse all checks immediately upon receipt.

2. Discontinue the practice of cashing personal checks from daily collections, deposit all receipts intact, and reconcile the composition of receipt slips issued to bank deposits.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons form issued.

C. Establish a control ledger and periodically reconcile it to the payment agreement forms.

Status:

A&C. Implemented.

B. Partially implemented. The Court Clerk now maintains a log of all tickets received by the court listing each ticket number, the defendant, and the officer; however, the log is not complete. See MAR No. 4.

5. City of Windsor Municipal Division

A. Receipts were not deposited on a timely basis.

B. Neither the police department nor the court maintained adequate records to account for all traffic tickets issued and their ultimate disposition.

C. The bond forms issued by the police department for the receipt of bonds were not prenumbered. In addition, receipt slips were not issued.

D. A control ledger for the amount assessed, payments received, and the balance due from each defendant on a payment plan was not maintained.

E. Bank reconciliations were not documented by the Court Clerk.

F.1. The $2 LET fee was collected on all convictions, including nonmoving traffic violations.

2. The $5 CVC fee was collected only on moving traffic violations and not on all city ordinance violations.

G. A monthly report of all cases heard in court was not filed with the City Clerk.

Recommendation:

The city of Windsor Municipal Division:

A. Deposit receipts daily or when accumulated receipts exceed $100.

B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket issued.

C. Request the police department to issue prenumbered receipt slips and bond forms for all bond monies received and account for their numerical sequence.

D. Establish a control ledger and periodically reconcile it to the defendants' account balances.

E. Perform monthly bank reconciliations and maintain documentation of the reconciliations.

F. Assess LET and CVC fees on all violations of municipal ordinances, except for nonmoving traffic violations and cases dismissed by the court, as required by state law.

G. Prepare monthly reports of court actions and file these reports with the city in accordance with state law.

Status:

A, &
D-G. Implemented.

B&C. Not implemented. See MAR No. 5.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTY-SEVENTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Twenty-Seventh Judicial Circuit is composed of Bates, Henry, and St. Clair counties. The Honorable William J. Roberts serves as Presiding Judge. There are five municipal divisions within the Twenty-Seventh Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respectively municipality, the county, or the state of Missouri, as applicable.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Adrian

   Organization

   The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. Although it has not been formally established, a TVB receives payment of fines and court costs at times other than during court. The Associate Circuit Judge of Bates County serves as the judge for this municipality.

   Personnel

Associate Circuit Judge	John O'Bannon
City Clerk/Court Clerk	Barbara Bloomfield

   Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	204	246

2. City of Butler

   Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are deposited into a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court. The Associate Circuit Judge of Bates County serves as the judge for this municipality.

Personnel

Associate Circuit Judge	John O'Bannon
Court Clerk	Charlotte Craft

Caseload Information

	Year Ended March 31,	
	1998	1997
Number of cases filed	701	472

3. City of Clinton

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are transmitted to the City Collector. Bond monies are deposited into a court bank account pending disposition. Court is held once a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Benecia Carmack
Court Clerk	Dawnde Cauthon*
Deputy Court Clerk/City Clerk	Kelly Harrelson

* Jennifer Frost served as Court Clerk prior to March 1998.

Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed	1,655	1,234

4. City of Rich Hill

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payments of fines and court costs at times other than during court. The Associate Circuit Judge of Bates County serves as the judge for this municipality.

Personnel

Associate Circuit Judge	John O'Bannon
Court Clerk	Mendy Stangel*

* Gail Biggs served as Court Clerk prior to March 1998.

Caseload Information

	Year Ended March 31,	
	1998	1997
Number of cases filed	187	172

5. City of Windsor

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. A court bank account is maintained for fines, court costs, and bonds. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

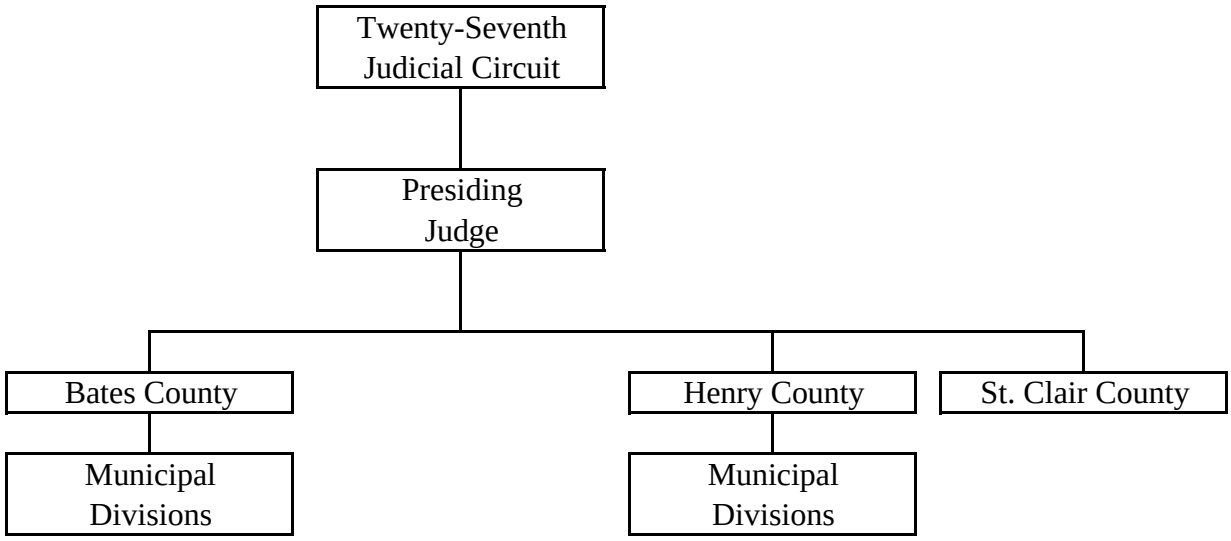
Municipal Judge	Jerry W. Bay*
Court Clerk	Sue Taylor
Deputy Court Clerk/City Clerk	Cheril Hall

* James E. Taylor served as Municipal Judge prior to April, 1997.

Caseload Information

	Year Ended September 30,	
	1998	1997
Number of cases filed	493	461

TWENTY-SEVENTH JUDICIAL CIRCUIT
ORGANIZATION CHART



City of Audrain
City of Butler
City of Rich Hill

City of Clinton
City of Windsor

* * * * *

AUDIT REPORT

PUBLIC WATER SUPPLY DISTRICT NUMBER 1

NEWTON COUNTY, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-26
April 22, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Public Water Supply District Number 1, Newton County, Missouri.

The district does not have a formal bidding policy and supporting documentation was not maintained for some expenditures.

The district paid $18,000 per year to an individual for management and maintenance of the water district during fiscal years 1998 and 1997. The district has used the same individual for several years, and there is no documentation of when the district last solicited proposals for these services.

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidders. *The board agreed with our findings and plans to establish formal bidding policies and procedures.*

A business owned by the son of a former board member who served until April 1998 was paid $12,543 from February 1997 to January 1998, to install water meters and lines and fix water leaks. The district did not solicit bids for the services. In addition, the former board member indicated he abstained from voting on contracting with this individual to perform these services; however, the board minutes did not always document specifically whether he abstained from voting and, in one instance, the minutes indicate he voted to contract with his son.

Discussions and decisions concerning transactions where potential conflicts of interest exist should be completely documented so that the public has assurance that no district official has benefited improperly. In addition, we recommended the Board of Directors establish a policy which addresses these types of situations and provides a code of conduct for district officials. *The board agreed and plans to adopt a code of conduct.*

The board should adopt procedures for independent reviews of billings, collections, delinquent accounts, canceled checks, and bank reconciliations. The method of payment is not recorded on billing stubs. Improvements are needed in recording hookup and meter connection fees. The amount of water primacy fees remitted to the state may not have been computed correctly. The district

(over)

board agreed and plans to adopt a code of conduct.

The board should adopt procedures for independent reviews of billings, collections, delinquent accounts, canceled checks, and bank reconciliations. The method of payment is not recorded on billing stubs. Improvements are needed in recording hookup and meter connection fees. The amount of water primacy fees remitted to the state may not have been computed correctly. The district has not maintained adequate records of refundable meter deposits.

We recommend, *and the board agrees*, that independent reviews be performed and documented of the billing, receipt, deposit, and delinquent account records. We also recommended dual signatures be required on checks or independent monthly reviews be established of canceled checks and bank reconciliations. *The board has said monthly independent reviews of canceled checks and bank reconciliations will be conducted.*

Although the district's bylaws state that records shall be subject to inspection by any person owning land or residing within the district *we recommended, and the board agreed to establish, a formal policy regarding public access to district records which complies with state law*. This policy should establish a person to contact and an address to mail requests for access to records.

The district contracted with an independent CPA to perform a review of agreed-upon procedures for the period January 1, 1997 through July 31, 1998; however, the district does not obtain audits as required by state law. *The district has indicated that audits will now be performed according to state law.*

The district's annual budgets were not fully in compliance with state law requirements. For example, the budgets did not include a budget message nor comparative statements of revenues and expenditures for the two preceding years as required. Instead, only one year of comparative data was included. In addition, the Board of Directors does not periodically compare actual revenues and expenditures to budgeted amounts. As a result, the actual expenditures exceeded budgeted amounts by $5,344 for the year ended December 31, 1997. *The district says budgets will meet state law requirements and all expenditures over budgeted amounts will be approved by the board.*

(over)

PUBLIC WATER SUPPLY DISTRICT NUMBER 1
NEWTON COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Directors
Public Water Supply District Number 1
Newton County
Newtonia, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Public Water Supply District Number 1, Newton County, Missouri. Our audit of the district included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

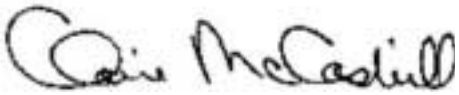
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes and various district financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the district.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and was not subjected to auditing procedures applied in the audit of the district.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of Public Water Supply District Number 1, Newton County, Missouri.



Claire McCaskill
State Auditor

January 29, 1999

HISTORY AND ORGANIZATION

PUBLIC WATER SUPPLY DISTRICT NUMBER 1
NEWTON COUNTY, MISSOURI
HISTORY AND ORGANIZATION

Public Water Supply District Number 1, Newton County, Missouri, was established in 1965 and currently serves approximately 190 customers. The Board of Directors consists of five members who serve three-year terms. The Board of Directors elects a President and Vice President from the board membership. The board members and other officials receive no compensation.

The board members and other officials at December 31, 1998 were:

Board Members	Term Expires	Surety Bond
Eugene Miller, Board President (1)	April 2001	$
Lawrence Frencken Jr., Board Member (1)	April 2001	
Rocky Ford, Board Member (1)	April 2000	
Gene Stickler,Vice President (1)	April 2000	
Vacant, Board Member (1) (2)	April 1999	

(1) In April 1998, the board made an election to stagger the terms of the board members, so two members were elected to three-year terms, two members were elected to two-year terms, and one member was elected to a one-year term. Future terms will be for three years. The outgoing board members in April 1998 were Brian Lewis (President), David Wormington, Curt Dabbs, Leon Garner, and Harry Thomlinson.

(2) Linda Bruns resigned August 1998 and Jack Watson was appointed in January 1999.

Other Officials	
Tom Higdon, Board Treasurer	50,000
Wilma Miller, Board Secretary	

A summary of the financial activity of the Public Water Supply District Number 1, Newton County, Missouri, for the two years ended December 31, 1998, is presented on the next page:

	Year Ended December 31,	
	1998	1997
RECEIPTS:		
Sales	$ 33,517	31,030
Interest	1,530	1,575
New installations	100	1,000
Other	240	0
Total Receipts	35,387	33,605
DISBURSEMENTS:		
Service contract	18,000	18,000
Sales tax	316	302
Accounting fees	500	0
Legal fees	0	401
Insurance	815	742
Repairs and maintenance	7,143	10,799
Supplies	9	1,993
Office supplies and printing	0	259
Miscellaneous	709	348
Total Disbursements	27,492	32,844
Receipts Over (Under) Disbursements	7,895	761
Cash Balance, January 1,	56,708	55,947
Cash Balance, December 31,	$ 64,603	56,708

MANAGEMENT ADVISORY REPORT

PUBLIC WATER SUPPLY DISTRICT NUMBER 1
NEWTON COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 8-9)

   The district does not have a formal bidding policy and supporting documentation was not maintained for some expenditures. The son of a former board member was paid $12,543 for various services and it appears the former board member voted to approve contracting with his son in one instance.

2. Accounting Controls and Procedures (pages 9-11)

   The board should adopt procedures for independent reviews of billings, collections, delinquent accounts, canceled checks, and bank reconciliations. The method of payment is not recorded on billing stubs. Improvements are needed in recording hookup and meter connection fees. The amount of water primacy fees remitted to the state may not have been computed correctly. The district has not maintained adequate records of refundable meter deposits.

3. Minutes and Records (page 11)

   Board minutes are not always signed. The district should establish a policy regarding public access to district records which complies with state law.

4. Audits and Budgets (page 12)

   The district does not obtain audits as required by state law. Improvements are needed in the district's budgeting documents and procedures.

1. Expenditures

A. The district does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained for pump repairs ($4,814 paid to one vendor in June and July 1998), and installing and fixing water lines and meters ($12,543 paid to one vendor from February 1997 to January 1998).

In addition, the district paid $18,000 per year to an individual for management and maintenance of the water district during fiscal years 1998 and 1997. The district has used the same individual for several years, and there is no documentation of when the district last solicited proposals for these services.

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the district's business. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids and proposals received and reasons noted why the bid or proposal was selected.

B. Vendor invoices or other supporting documentation were not retained for some expenditures. These expenditures included $250 for bond coverage and $865 for water line and meter installation. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the expenditures represent appropriate uses of public funds.

C. A business owned by the son of a former board member who served until April 1998 was paid $12,543 from February 1997 to January 1998, to install water meters and lines and fix water leaks. As noted in Part A., the district did not solicit bids for the services. In addition, the former board member indicated he abstained from voting on contracting with this individual to perform these services; however, the board minutes did not always document specifically whether he abstained from voting and, in one instance, the minutes indicate he voted to contract with his son.

Discussions and decisions concerning transactions where potential conflicts of interest exist should be completely documented so that the public has assurance that no district official has benefited improperly. In addition, the Board of Directors should consider establishing a policy which addresses these types of situations and provides a code of conduct for district officials.

WE RECOMMEND the Board of Directors:

A. Establish formal bidding policies and procedures, with provisions for documentation of the justification for selecting and rejecting bids or proposals.

B. Require adequate supporting documentation for all expenditures.

C. Avoid actual or apparent conflicts of interest. Also, in the future, if a relative of a board member is considered to perform services for the district, that member should abstain form voting on the hiring and that action should be adequately documented in the board minutes. In addition, the board should consider adopting a code of conduct for district officials.

AUDITEE'S RESPONSE

A. We will establish formal bidding policies and procedures.

B. Supporting documentation for all expenditures will be maintained.

C. We agree with the conflict of interest recommendation and plan to adopt a code of conduct.

2. Accounting Controls and Procedures

A. The district's management and maintenance contractor is responsible for reading water meters, preparing bills, and reconciling billings to collections and delinquent accounts. The contractor hires an individual to receive and deposit water payments. District officials do not regularly review the billing, receipt, and delinquent account records. To ensure billings and collections are properly recorded and to ensure proper follow-up action is taken on delinquent accounts, the board should establish procedures for formal monthly independent reviews of the billing, receipt, deposit, and delinquent account records.

B. The board treasurer usually signs all checks, and checks require only one signature. In addition, the treasurer is responsible for reviewing canceled checks and preparing monthly bank reconciliations. To ensure checks represent valid disbursements, the board should require dual signatures on all checks (at least one signature should be a board member) or provide for formal monthly independent reviews of canceled checks and bank reconciliations.

C. The district receives cash and checks for the payment of water bills. The billing stubs which accompany the payment serve as the district’s initial record of the receipt; however, the method of payment (cash, check, money order, etc.) is not recorded.

To ensure the proper handling and safeguarding of district monies, the method of payment should be indicated on the billing stubs and the composition of receipts should be reconciled to the composition of bank deposits.

D. The district does not keep adequate records of hookup and meter connection fees collected. The district does not keep a listing of new hookups and meter connections or whether fee amounts have been paid or are still due. It appears the district collected and deposited at least $200 in meter connection fees during the year ending December 31, 1998; however, only $100 was recorded as new installation fees on the district's financial statement.

To ensure all hookup and meter connection fees are collected and properly accounted for, the district should maintain a central record of the appropriate fees due. The district should keep a record of all payments received, reconcile payments received to payments due, and follow up on any unpaid amounts.

E. The Department of Natural Resources (DNR) requires the district to pay an annual primacy fee based on the number and type of service connections. The district in turn charges all water customers a $2 annual primacy fee.

In August 1998, the district estimated there were 179 customers with service connections and (after collection discounts) remitted $354 to the DNR. However, in October 1998, the district billed the primacy fee to approximately 193 customers totaling $386. The district should review this matter and ensure the proper amount was remitted to the DNR and ensure future remittances are based on the actual number of service connections.

F. District customers were required to pay a $5 meter deposit when the district began providing services during the 1960's. The board discontinued the deposit requirements but currently has approximately $900 in a savings account for the deposits. The district does not maintain a listing of deposits received, refunds, and balances. District officials estimated that approximately 40 current customers paid the $5 deposit.

The district should attempt to identify the amount of meter deposits still on hand and prepare a listing of all deposits. Because meter deposits are no longer required, the board should consider refunding the deposits or applying the deposits to current billings and closing out the savings account.

WE RECOMMEND the Board of Directors:

A. Ensure monthly independent reviews are performed and documented of the billing, receipt, deposit, and delinquent account records and ensure adequate follow up is performed on delinquent accounts.

B. Require dual signatures on checks or establish monthly independent reviews of canceled checks and bank reconciliations.

C. Record the method of payment on corresponding billing stubs received and reconcile the composition of receipts to bank deposits.

D. Ensure records are maintained for all hookup and meter connection fees collected.

E. Ensure the appropriate amount of primacy fees is remitted to the DNR.

F. Attempt to identify all meter deposits held by the district. The board should consider refunding all meter deposits or applying them to current billings and close the savings account.

AUDITEE'S RESPONSE

A. Monthly independent reviews will be performed.

B. Monthly independent reviews of canceled checks and bank reconciliations will be conducted.

C. We agree.

D. We agree to monitor and keep records of hookup fees.

E. Primacy fees will reflect actual amounts.

F. We plan to refund all meter deposits and close the meter deposit account.

3. Minutes and Records

A. The board minutes are usually prepared by the board secretary or a board member acting as secretary, but the minutes are not always signed. The board minutes should be signed by the preparer and by the Board President to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

B. Although the district's bylaws state that records shall be subject to inspection by any person owning land or residing within the district, the board should establish a formal policy regarding public access to district records which complies with state law. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo Supp. 1998, lists requirements for making district records available to the public.

WE RECOMMEND the Board of Directors:

A. Ensure board minutes are signed by the Secretary and Board President to attest to their completeness and accuracy.

B. Establish policies and procedures regarding public access to district records which comply with state law.

AUDITEE'S RESPONSE

A. The secretary and president will sign minutes.

B. We will establish a policy regarding public access to district records as provided by state law.

4. Audits and Budgets

A. The district contracted with an independent CPA to perform a review of agreed-upon procedures for the period January 1, 1997 through July 31, 1998; however, the district does not obtain audits as required by Section 247.080, RSMo 1994, and district by-laws.

B. The district's annual budgets were not fully in compliance with Chapter 67, RSMo. For example, the budgets did not include a budget message nor comparative statements of revenues and expenditures for the two preceding years as required. Instead, only one year of comparative data was included. In addition, the Board of Directors does not periodically compare actual revenues and expenditures to budgeted amounts. As a result, the actual expenditures exceeded budgeted amounts by $5,344 for the year ended December 31, 1997.

Budgets are a planning tool and should serve as a guide throughout the year to monitor revenues and expenditures. Section 67.010, RSMo 1994, lists items required in the budget, including a budget message and the two prior years' actual revenues and expenditures. Section 67.040, RSMo 1994, prohibits expenditures in excess of budgeted amounts unless budget amendments are approved by the board.

WE RECOMMEND the Board of Directors:

A. Obtain audits as required by state law.

B. Prepare complete and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the district. In addition, actual expenditures should not exceed budgeted amounts unless appropriate budget amendments are approved.

AUDITEE'S RESPONSE

A. Audits will be performed according to state law.

B. Budgets will meet state law requirements and all expenditures over budgeted amounts will be approved by the board.

This report is intended for the information of the district's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

SPECIAL REVIEW OF THE
ST. LOUIS
BOARD OF POLICE COMMISSIONERS

From The Office Of State Auditor
Claire McCaskill

Report No. 99-25
April 21, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

The following problems were discovered as a result of our office's most recent audit of the St. Louis Board of Police Commissioners.

The St. Louis Police Board is prohibited from paying overtime to any officer ranking sergeant and above. The Board of Police Commissioners' records indicate overtime payments were made in the amount of $242,069 in 1998, and $238,545, in 1997. These payments were made to approximately 96 officers ranking sergeant and above. State law prohibits these payments.

The St. Louis Board of Police Commissioners paid $10,902 and $12,473 to the Chief of Police for unused vacation leave and discretionary holidays in 1997 and 1996, respectively. The compensation to be paid to members of the police force is established by state law, not by the city of St. Louis. **By paying the chief for unused leave, the board has exceeded its authority and paid the chief an amount in excess of the salary that the General Assembly has authorized.** State law establishes the compensation of members of the police force that the General Assembly has authorized the Board of Police Commissioners to pay. Further, state law provides those ranks (police officers, sergeants and lieutenants) that may be paid for unused vacation time. Officers above the rank of lieutenant are not included in this authorization.

On June 30, 1998, the Board of Police Commissioners maintained over $6.9 million in checking accounts and certificates of deposit (CD's) at one bank. The Board has not bid any of its banking services. It appears the police department could have earned additional interest income by changing its investment practices. *This condition was also noted in our two prior reports on the St. Louis Board of Police Commissioners for years 1991 and 1994.*

The board has agreed it should choose its banking services through competitive bidding. It expects to publish a plan within 90 days which would take effect during Fiscal Year 2000.

Our review of the budgeting process revealed the Board of Police Commissioners does not prepare formal budgets of revenues, resources, and expenditures for an account the Board refers to as the Secretary's Account. *This condition was also noted in our two prior reports on the St. Louis Board of Police Commissioners for years 1991 and 1994.*

The Board of Police Commissioners transferred over $1.7 million from the city's General Fund to the Secretary's Account. Of this amount over $826,000 remained in the Secretary's Account on June 30, 1998, the end of the department's fiscal year. The department carried over to fiscal year 1999 approximately $561,500 in expenditures that should have been paid out of its General Fund budget. Had these expenditures been charged against the 1998 budget, the department would have overspent its budget by approximately $559,800, which is a violation of state law.

The Board has agreed to budget the Secretary's Fund and implement better expenditure controls.

(over)

In prior reviews of the St. Louis Board of Police Commissioners, the following conditions were discovered, and corrective measures were recommended by the State Auditor. However, the problems have yet to be corrected.

YELLOW SHEET

		Reviews Issued In			
		1989	1991	1994	1999
Condition:					
Payment of Health and Life Insurance to Commissioners				X	X*
Failure to Budget the Secretary's Account			X	X	X*
Failure to Bid Banking Services			X	X	X*
Failure to Properly Bid Goods and Services	X	X	X	X*	
Missing Bond Receipt Forms		X	X*	X*	X*
Lack of Proper Inventory Controls and Procedures	X	X*	X*	X*	
Missing Traffic and Parking Tickets		X*	X*	X*	X*

* Board agreed to implement Auditor's recommendations.

Other Items Noted:

- In January 1998, the Board of Police Commissioners bid and purchased thirty-two high back chairs for the learning center totaling $22,048 or $689 per chair; however, the low bid totaled $14,080 for the same chairs. No documentation was provided to explain the basis or justification for awarding the bid to a vendor other than the low bidder.

- We noted instances in which separate purchase orders totaling in excess of $1,000 were issued to the same vendor within ten days of each other for the purchase of similar items. Department policy requires any purchase in excess of $1,000 be bid by the department's Purchasing Division.

- The State Auditor also noted that the department's Budget and Finance Division did not ensure all disbursements are supported by vendor-provided invoices which contain an adequate description of the goods or services needed. In addition documentation to support travel advances to employees was also lacking.

- The department's accounting controls and procedures over monies collected need improvement as noted in pages 26 through 34 of the review.

- As of September 1998, the Board of Police Commissioners was holding over $79,000 in interest monies earned on Criminal Activity Forfeiture Act (CAFA) Funds. Article IX, section 7 of the Missouri Constitution relates to school funds. This provision states that all proceeds resulting from the forfeitures and fines collected shall be distributed annually to the schools.

SPECIAL REVIEW OF THE
ST. LOUIS BOARD OF POLICE COMMISSIONERS

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SPECIAL REVIEW OF THE
ST. LOUIS BOARD OF POLICE COMMISSIONERS

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

The Board of Police Commissioners of the
St. Louis Police Department
St. Louis, Missouri 63103

We have conducted a special review of the St. Louis Board of Police Commissioners (SLBPC). The scope of our review included, but was not necessarily limited to, the two fiscal years ended June 30, 1998. The objectives of this review were to:

1. Review certain revenues received and certain expenditures made by the St. Louis Police Department.

2. Review the cash balances and the related individual account balances of the Secretary's Account.

3. Review certain management practices and financial information for compliance with certain constitutional provisions, statutes, attorney general's opinions, and board policies as we deemed necessary or appropriate in the circumstances.

4. Follow-up on the status of recommendations made in our previous report.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The SLBPC had engaged KPMG Peat Marwick LLP, Certified Public Accountants (CPA), and Arthur Andersen LLP, CPA, to perform audits of the board for the years ended June 30, 1998, and 1997, respectively. To minimize any duplication of effort, we reviewed the reports and substantiating workpapers of these CPA firms. We also examined the SLBPC records we deemed necessary; made inquires of SLBPC employees; and examined other papers and documents as deemed appropriate for the review.

As part of our review, we assessed the SLBPC's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

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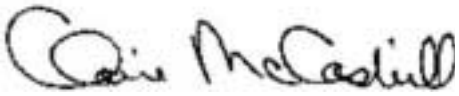
Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information are presented for informational purposes. This information was obtained from the SLBPC's management and was not subjected to the procedures applied in the review of the SLBPC.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the SLBPC.



Claire McCaskill
State Auditor

November 25, 1998 (fieldwork completion date)

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Recommendation

SPECIAL REVIEW OF THE
ST. LOUIS BOARD OF POLICE COMMISSIONERS
SUMMARY OF FINDINGS

1. Compensation and Personnel Matters (pages 9-16)

The SLBPC paid $23,375 to the Chief of Police for unused vacation leave and discretionary holidays in 1997 and 1996. The department made expenditures totaling $480,614 from grants for overtime payments to sergeants and above. The department made expenditures totaling $61,563 for health and life insurance benefits for current and former commissioners. These expenditures are apparently in violation of state laws. The department does not have a written policy prohibiting the personal usage of department vehicles, the department does not require that mileage logs be maintained to ensure the vehicles were used for business purposes, and the working condition fringe benefit was not included as compensation on a civilian who was assigned a vehicle.

2. Budgets and Financial Reporting (pages 16-19)

A budget is not prepared for some funds controlled by the SLBPC. The department does not prepare monthly detailed financial reports for the board.

3. Bidding and Contracts (pages 19-24)

The SLBPC has not bid banking services. Bids were not always solicited in accordance with the department's bidding policy and adequate documentation was not maintained regarding the evaluation of bid proposals or the basis and justification for awarding the contract to a vendor other than the lowest bidder. Purchase orders in excess of $1,000 were issued to the same vendor to acquire similar items without soliciting bids. The department did not have formal written agreements with some companies and individuals providing services and with not-for-profit organizations. The SLBPC had not assigned individuals with sufficient technical qualifications to monitor the management contract with Regional Justice Information Systems.

4. Disbursement Procedures (pages 24-26)

Expenditures totaling $561,500 that were incurred in fiscal year 1998 were held and not paid until fiscal year 1999. Additionally, had these expenditures been charged against the 1998 budget, the department would have exceeded its budget authority. Cash advances totaling $8,256 were made without a subsequent travel request report or supporting receipts. There were several expenditures which did not appear to be a necessary or prudent use of public funds. Adequate documentation was not available to support some disbursements and supporting documentation was not available for other disbursements. IRS Form 1099's are not being filed with the Internal Revenue Service.

5. Receipt Accounting Controls and Procedures (pages 26-34)

The department's accounting controls and procedures over receipts could be improved.

6. Inventory Controls and Procedures (pages 34-37)

A summary showing beginning inventory balances, purchases, issuances, and ending inventory balance for supplies and parts are not prepared. Some supplies were overstocked and obsolete. Fleet Services does not perform periodic physical inventory counts of the parts kept in stock. Periodic inventory is not performed by staff outside the Armory on the guns held in stock.

7. Traffic Ticket and Parking Tag Controls (pages 37-39)

The department does not account for tickets assigned and issued and their ultimate disposition. Ticket records were not retained in accordance with the Missouri Municipal Records Manual.

8. Cash Funds (pages 39-40)

There is no independent review of cash funds under the exclusive control of the Vice/Narcotics Division to ensure they are properly maintained.

9. State Forfeitures (pages 40-41)

The SLBPC was holding over $79,000 in interest monies earned on Criminal Activity Forfeiture Act Funds. The SLBPC has been making a profit on the storage of vehicles which appears to conflict with state law.

10. Minutes of Meetings and Records (pages 41-42)

During some of the closed meetings, matters were discussed which do not appear to be allowed by state law. Various records were not retained in accordance with the Missouri Municipal Records Manual.

11. Fixed Asset Records and Procedures (pages 42-43)

The SLBPC's policy on fixed assets does not include procedures for performing an annual inventory. An annual physical inventory is not performed, additions and deletions of fixed assets are not recorded in the asset records as they occur, fixed asset additions are not reconciled to equipment purchases, and asset records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of the year.

12. Computer Controls (pages 43-45)

The department has no formal contingency plan for the computer system. Access to computer files and programs are not adequately restricted and numerous incorrect log-on attempts are not investigated on a periodic basis.

SPECIAL REVIEW OF THE
ST. LOUIS BOARD OF POLICE COMMISSIONERS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

1. Compensation and Personnel Matters

A. The SLBPC paid $10,902 and $12,473 to the Chief of Police for unused vacation leave and discretionary holidays in 1997 and 1996, respectively. The approval of these payments was documented as follows:

1) On December 27, 1995, the SLBPC approved a payment of $3,443 to the Chief of Police for two weeks of unused vacation leave and two unused discretionary holidays.

2) In a memorandum dated July 17, 1996, the Board President authorized that the Chief be compensated $2,984 for additional unused leave as of that date.

3) The SLBPC could not provide any documentation authorizing seven subsequent payments totaling $16,948.

The compensation to be paid to members of the police force is not determined by the city of St. Louis or any of its agencies, but by the Missouri General Assembly. Section 84.160, RSMo 1994, establishes the compensation of members of the police force that the General Assembly has authorized the Board of Police Commissioners to pay. Further, the statute provides those ranks (police officers, sergeants and lieutenants) that may be paid for unused vacation time. Officers above the rank of lieutenant are not included in this authorization.

In Schoemehl v. Whaley, 598 S. W.2d 607 (Mo. App. 1980), the Court ruled that the SLBPC did not have the authority to depart from the salary statute and pay the Chief of Police for overtime. The Court also noted that the statute recognized that the Chief had "unique responsibilities" holding a "supervisory status which is incompatible with being strictly accountable for hours on the job. The ultimate responsibility for the police department rests in that office twenty-four hours a day."

By paying the chief for unused leave, the board has exceeded its authority and paid the chief an amount in excess of the salary that the General Assembly has authorized.

B. During the years ended June 30, 1998 and 1997, the department was involved in over twenty-five grant programs funded by state or federal agencies. These programs paid for certain officers' salaries, overtime, and fringe benefits. SLBPC information indicated that

$242,069 and $238,545 in expenditures related to overtime that was paid to approximately 96 officers ranking sergeant and above.

Under Section 84.160.4, the SLBPC is precluded from paying or allowing overtime compensation to any officers of the rank of sergeant or above. In addition, no other provision of Section 84.160, RSMo Cumulative Supp. 1998, authorizes or allows the board to pay additional compensation to such officers under the circumstances we reviewed. Therefore, SLBPC is apparently prohibited from paying overtime to sergeants and above.

C. During the two years ended June 30, 1998, the SLBPC paid $61,563 in health and life insurance for three current and nineteen former commissioners. Eleven of the former commissioners have been receiving health and life insurance benefits paid by the SLBPC for more than ten years. These former commissioners served between three months and seven years.

Section 84.160.10, RSMo 1994, requires the SLBPC to provide health and life insurance for current and retired officers and employees. Commissioners hold office pursuant to section 84.040, RSMo 1994; as such they are officers of the Board of Police Commissioners, not the police department. Section 84.030, RSMo 1994, indicates the terms of commissioners end through expiration, resignation, or death, not retirement. Therefore, it appears the commissioners are not entitled to life and health insurance benefits under Section 84.160.11, RSMo Cumulative Supp. 1998.

In addition, Section 84.040, RSMo 1994, sets compensation for commissioners at $1,000 per annum. Therefore, it appears the insurance benefits represent additional compensation in apparent violation of Section 84.040, RSMo 1994.

A similar condition was also noted in our prior report.

D. The SLBPC maintains 106 unmarked vehicles for various department officials, police officers, the Mayor of St. Louis, and the Governor. Most of these cars are permanently assigned and used exclusively by the abovementioned persons. According to SLBPC personnel, these vehicles have been driven over 4.5 million miles since the specific vehicles currently in use were purchased. During our review of the unmarked vehicles, we noted the following concerns:

1) The SLBPC does not have a written policy prohibiting the personal usage of department vehicles. The department indicated that some officials and police officers are on call 24 hours a day and are allowed to use cars for personal use. The SLBPC should establish a written policy restricting personal use of department vehicles to ensure that department assets are used for law enforcement purposes only. In addition, individuals are not required to maintain mileage logs

for these vehicles. Logs indicating miles driven and purposes of trips are necessary to ensure vehicles are justified for business purposes and used for business purposes.

This condition was also noted in our prior report.

2) Department officials are issued cars by the Fleet Services Division. The division is to notify the paymaster of all civilians who are assigned unmarked vehicles, so that compensation can be included on their W-2 forms. We noted one instance where the paymaster was not notified of a civilian who was assigned a vehicle and the working condition fringe benefit was not included as compensation. According to the civilian, the vehicle is used for commuting to and from work and no detailed log is maintained which distinguishes between business and personal usage.

Internal Revenue Service (IRS) guidelines require the value of the personal (commuting) use of a vehicle be included as compensation for tax purposes.

WE RECOMMEND the SLBPC:

A. Discontinue the payment of unused leave and discretionary holidays to the Chief of Police. The SLBPC should also consider seeking reimbursement for the $23,375 paid to the Chief of Police during 1997 and 1996.

B. Discontinue overtime payments to officers with the rank of sergeant or above.

C. Discontinue the practice of providing insurance benefits for current and former commissioners.

D.1. Establish a policy prohibiting personal usage of unmarked vehicles and require mileage logs to be maintained for all unmarked vehicles.

2. Comply with IRS guidelines for reporting fringe benefits relating to department-provided vehicles.

AUDITEE'S RESPONSE

A. Payments totaling approximately $25,000 over a three year period authorized by the SLBPC to the Chief of Police were for actual duty time performed by the Chief of Police in lieu of his exercising his statutory right to paid vacation and holiday time. The payments were made in good faith and are based on the following authority and policy considerations:

To provide more flexibility in meeting its operational and management staffing needs, the SLBPC adopted a procedure by which all commissioned officers could receive compensation

for duty in lieu of vacation and holiday time. All commissioned officers irrespective of rank are statutorily entitled to paid vacation - - ranging from two (2) weeks to five (5) weeks, depending on length of service to the department - - and fifteen (15) paid holidays. See R.S. Mo. §84.140.

Officers of the rank of lieutenant and below may not be required to forego their vacation time and accept compensation, See R.S. Mo. §84.160(13), but State law does not, in any manner, limit the board's discretion to require senior command rank officers - - captains and above - - to forego their statutory right to paid vacation and holiday time. To account for this differing treatment, under State law, of senior command rank officers and officers of the rank of lieutenant and below, the board adopted the following, two-tier policy:

For officers of the rank of lieutenant and below, the department encourages and requires such officers to avail themselves of all vacation and holiday time. But the Chief of Police may establish a voluntary system of compensation for duty in lieu of vacation or holiday time for such officers by submitting to the board for its approval, as part of the budgetary process for each fiscal year, the procedures for implementation of such a system and the projected fiscal impact of such a system for the fiscal year at issue.

For officers of the rank of captain and above, including the Chief of Police, there is also a presumption that all such officers shall avail themselves of all vacation and holiday time. Nevertheless, if the Chief of Police determines that the senior staffing needs of the SLPD require any such officer to forego such vacation or holiday, the Chief of Police shall submit to the board for its consideration and approval the amount of compensation such officers are being required to accept in lieu of vacation time, including the identity of the specific officers at issue.

Adoption of this policy arose out of the duty demands placed on the Chief of Police which, since his appointment, required that he forego vacation and holiday time. The board considered it desirable to adopt a global policy - - i.e. one that governs all commissioned officers - - because the issue has, to date, only been considered on an ad hoc basis.

The State Auditor, relying on the appellate court decision in Schoemehl v. Whaley, 598 S.W.2d 607 (Mo. App. 1980), has expressed its view that the board has "exceeded its authority and paid the chief an amount in excess of the salary that the General Assembly has authorized." For the reasons that follow, the SLBPC respectfully suggests that it has the authority to require officers of the rank of captain or above, including the Chief of Police, to forego vacation and holiday time and receive compensation in lieu of such off-duty time, and that the State Auditor's reliance on Schoemehl v. Whaley is misplaced.

The question presented in Schoemehl was whether the Chief of Police was entitled to receive "overtime" pay. In considering that issue, and determining that the Chief of Police was ineligible to receive such compensation, the court was faced with a statute that expressly

prohibited payment of "overtime" compensation to any officer the rank of sergeant or above. Here, unlike in Schoemehl, not only is there no statutory prohibition against payment of compensation for duty in lieu of vacation time for any rank, all officers through the rank of Chief of Police are statutorily entitled to paid vacation and holiday time. R.S. Mo. §84.140.

The State Auditor correctly observes that the express statutory authorization for payment of compensation for duty in lieu of vacation time is directed towards officers of the rank of lieutenants and below. That authorization, however, is expressly linked to a prohibition against requiring such officers to forego any such paid time off.

Accordingly, the board is confronted with a situation in which it has authority to require senior command rank officers to forego vacation and holiday time to meet senior staffing needs. The same statutory scheme vests these officers with the right to paid vacation and holiday time. It appears to the board that the only way to reconcile its authority to compel senior officers to forego vacation and holiday time with the statutory right of senior officers to receive paid vacation and holiday, is to compensate these officers for vacation and holiday time lost to meet their duty demands.

Through adoption of rule described above, the SLBPC has closely prescribed the procedure under which such vacation and holiday compensation may be paid and has created a presumption in favor of all command rank officers availing themselves of all vacation and holiday time. Thus, in the SLBPC's view, the rule, as adopted, comports both with good fiscal and personnel management as well as with State law which vests all officers with the right to paid vacation and holiday time.

As noted above, payments totaling approximately $25,000 over a three year period to the Chief of Police were for actual duty time performed by the Chief of Police in lieu of his exercising his statutory right to paid vacation and holiday time.

B. *No payments at overtime rates to officers ranking sergeant and above were made from the general revenue of the City of St. Louis. All such payments were from State and Federal grant agencies for the purpose of meeting the requirements of the grants. For the reasons that follow, the SLBPC respectfully suggests that such payments complied with both State and Federal Law:*

Meeting special community needs through strategic deployment of personnel is a vital function of the SLPD. Many such strategic operations are funded with grants awarded by State and Federal agencies: sobriety traffic checkpoints; hazardous-waste moving law enforcement; "weed & seed" neighborhood intervention; juvenile curfew enforcement; domestic violence intervention.

In many instances, the outside granting agency - - through the grant application and award budgets - - contractually engages the department, through its commissioned personnel, to perform services outside of assigned personnel's regular duty time (i.e. "off duty" time). The grant thus provides funding for compensation to be paid at overtime rates which comply with federal Fair Labor Standards Act overtime requirements.

The State Auditor has correctly noted that, under R.S. Mo. §84.160(4), the SLBPC is precluded from paying overtime to officers ranking sergeants and above. The State Auditor also observes that grants from State and Federal agencies have funded overtime compensation to approximately 96 such officers. It is suggested that this practice may be inconsistent with statutory limitations on the payment of overtime.

The SLBPC respectfully disagrees with this suggestion. For more than twenty years, including all periods subject to the audit, the SLBPC has been consistent and scrupulous in confirming and ensuring that off-duty, overtime compensation paid through State and Federal grants comports with State and Federal law. The SLBPC's position is premised on the SLBPC's relationship to the City of St. Louis and how only that relationship - - not the SLBPC's relationship to Federal agencies and other State agencies - - is regulated by the statutory overtime restrictions.

The SLBPC is a creature of state law, created by the general assembly. Under certain statutorily prescribed powers and duties, the SLBPC "is made responsible for the establishment and control of the St. Louis police force; the City of St. Louis is prohibited from interfering with the powers, or the exercise of the powers, of the Police Board." State ex rel. Sayad v. Zych*, 642 S.W.2d 907, 909 (Mo. 1982).*

The State of Missouri, through legislative enactment, requires the City of St. Louis to fund the operations of the SLPD, with the priorities of such funding fixed by the SLBPC. The State's authority to compel such funding has the following legal underpinnings: The City of St. Louis is a subdivision of the State of Missouri and, as such, the "State has the power to compel municipalities to fund a police force. The general assembly has delegated this authority in the City of St. Louis to the Police Board; and to the extent of the state's power, the Police Board can require the City to appropriate the sum certified by the Police Board to the City." Id*. at 910.*

The SLBPC's authority to compel City funding is not, however, unfettered. In addition to limitations set forth in the Hancock Amendment to the Missouri Constitution (article X, section 21), the general assembly has, for example, imposed limitations on the number of commissioned officers the SLBPC may hire and the amount of basic compensation for which the SLBPC can compel the City of St. Louis to appropriate funding. By placing these and other limitations on how the SLBPC may encumber the City's general revenue, the general assembly has counterbalanced its assumption and delegation of City police power to the SLBPC.

Another such limitation restricts the board's ability to pay overtime to commissioned officers. Over the years, the scope of statutory overtime limitations has varied; currently, the SLBPC is prohibited from itself compensating commissioned officers the rank of sergeant and above.

When, in the late 1970's, the SLBPC was granted funding from sources other than the City's general revenue, the board formally considered whether statutory overtime limitations restrict the board's ability to make overtime payments out of outside funding sources. The SLBPC directed its inquiry to the City of St. Louis, the governmental agency for whose benefit the statutory limitations on overtime payments were enacted and, therefore, the agency that had the most direct interest in determining the limitation's application.

Specifically, in 1977, the SLBPC, through the City of St. Louis's Comptroller, sought the opinion of the City of St. Louis's law department concerning whether overtime payments to commissioned lieutenants financed through a Federal law enforcement grant implicated state law limitations on payments of overtime.

The City of St. Louis's law department concluded that they do not. The City reasoned that "payment of Federal grant funds to . . . two lieutenants for work and time they devote to carrying out grant projects for the Police Board, at times entirely unrelated to their normal duties and unassociated with their regular assignments, are matters within the lawful discretion of the board, and since such funds are not derived from municipal tax revenues of the City, [there is] no violation of Section 84.160(7), RSMo. (Laws 1977)."

In short, statutory limitations on the SLBPC's authority to pay overtime compensation are part of an integrated statutory scheme designed to limit the SLBPC's burden on the municipal fisc. Using funding from other governmental agencies to employ commissioned officers for services unrelated to the officers' normal duties and unassociated with their regular assignments is not inconsistent with these statutory limitations because these limitations are not intended to protect any funding source other than the general revenue of the City of St. Louis.

Indeed, the SLBPC is granted broad discretion to contract with outside entities and to apply outside funding as it sees fit.

Implied in the SLBPC's general authority to operate the police department is its power to contract with outside entities. See State ex rel. McNeal v. Roach, 520 S.W.2d 69, 74 (Mo. 1975). Indeed, the SLBPC is not only empowered but is required to "estimate revenues . . . from all sources including but not limited to, grants from Federal or State governments, governmental agencies or other grantors" and to "estimate the sum of money which will be necessary . . . to enable [it] to discharge the duties hereby imposed upon them, and to meet the expenses of the police department." R.S. Mo. §84.210.

No limitations relating to compensation for commissioned officer services performed outside of normal duty time is imposed on the SLBPC in connection with its power to contract with outside governmental agencies. Nor are these outside agencies in any manner limited in their ability to provide funding for these purposes. Indeed, the very purpose of many of such grants - - including those provided by the State of Missouri - - is to provide funding for supervisory officer service to the community outside of normal duty time. The contractual terms of such grants expressly provide this purpose and the revenue source arising from such grants is set forth in each annual budget document prepared by the SLBPC.

Accordingly, the SLBPC respectfully suggests that compensating officers out of funding sources other than those provided from the general revenue of the City of St. Louis for specific overtime services falls outside of statutory limitations of overtime compensation and falls squarely within the SLBPC's authority to enter into contracts and to budget for revenue derived from outside granting agencies.

C. *No members of the SLBPC currently receive health or life insurance benefits. The SLBPC perceives it in the best interest of the department that no health or life insurance benefits be made available to current or future board members. Past members who receive such coverage and who, having detrimentally relied on past board policy, wish to continue such coverage, may continue such coverage provided that they reimburse the SLPD for its actual cost.*

D.1. *Unmarked vehicles are requisitioned to department personnel on a "take home" basis for assignments whose duty requirements include being on call 24 hours a day. The assignment of an unmarked vehicle to the Mayor, because of his ex officio status on the SLBPC, contemplates 24 hour law enforcement and public safety oversight. As to those personnel and that official there is no restriction placed on the personal use of such vehicles.*

To the extent that unmarked vehicles are permanently assigned to personnel who do not have 24-hour law enforcement duties or are not permanently assigned to personnel on a "take home" basis, the SLBPC shall institute a written policy clarifying permissible vehicle uses.

2. *The SLBPC has ensured that in those instances where the vehicle use is properly considered a benefit, the benefit is reflected on the form W-2 issued to the civilian employee.*

2. Budgets and Financial Reporting

The SLBPC receives funding from three different sources. These three sources are called the General Fund, department-generated revenues, and grant and contract revenues. Funds appropriated from the General Fund of the city of St. Louis for the Police Department are identified as the General Fund. The majority of the monies generated by the Police Department are

maintained in the Secretary's Account. Grant and contract revenues received from the St. Louis Community College and various state and federal agencies are identified as government grants and contracted services and placed in city special revenue accounts. During fiscal year 1998, the total expenditures from the General Fund and department-generated, grant, and contract revenues were approximately $105 million and $7.4 million, respectively.

A. Our review of the budgeting process revealed the following areas of concern:

1) The SLBPC does not prepare formal budgets of revenues, resources, and expenditures for the Secretary's Account funds and some government grant and contract funds. However, the SLBPC does submit some estimates of revenues for the Secretary's Account funds in the annual budget.

This condition was also noted in our two prior reports.

2) For the year ended June 30, 1998, we noted over $1,700,000 of transfers from the General Fund to the Secretary's Account. Several funds within the Secretary's Account carried significant balances at June 30, 1998, as noted below:

Year 2000 Contract	$ 275,150
Personal Computer Upgrade	275,000
Photo Imaging	228,000
Investigative Fund	28,232
Sound System	20,000

These funds are held in reserve to cover future expenditures. If these monies had not been transferred to the Secretary's Account, the SLBPC would have lost the use of these funds because the city's expenditure system does not allow bills to be submitted for payment after the end of the fiscal year even if the expenditure was incurred prior to the end of the fiscal year. As noted above, the SLBPC does not prepare a budget for Secretary's Account funds.

Section 84.210, RSMo 1994, requires the SLBPC to submit a budget request to the city and requires the city to appropriate sufficient funds to operate the Police Department. Such estimate should include, but not be limited to, all reasonably anticipated revenues of the board from all sources including grants from the federal or state governments, governmental agencies or other grantors and forfeitures of property and proceeds of forfeited property, and line items for personnel, supplies, maintenance, repairs, services and contractual requirements, and a statement comparing receipts and expenses for the last prior full fiscal year, the current fiscal year, and the fiscal year to which the estimate pertains.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each unit or division. A complete budget should include appropriate revenue and expenditure estimates by classification, and include the beginning available resources and reasonable estimates of the ending available resources.

B. The Budget and Finance Division does not prepare monthly detailed financial reports for the SLBPC, summarizing revenues, expenditures, and balances by type/fund for the Secretary's Account. Currently, the board is provided with a check register, a deposit report by sub-account, a bank statement, a statement of securities, and a summary report of checks reviewed by the Secretary to the Board.

Complete and detailed financial reports should be used to keep the board and citizens informed of the financial activity of the police department.

WE RECOMMEND the SLBPC:

A. Prepare budgets of revenues, resources, and expenditures for the Secretary's Account and all grants and contracts. These budgets should be formally reviewed and approved by the board and used as guidelines for activity of these funds.

B. Require the Budget and Finance Division to prepare complete and detailed periodic (monthly or quarterly) financial reports of the Secretary's Account for the board's review.

AUDITEE'S RESPONSE

A.1. The SLBPC concurs with the State Auditor's suggestion that funding expected from all sources be included in the SLBPC's annual budget certification. The majority of unencumbered funds maintained in the Secretary's Account are derived from Federal asset forfeiture revenues. When, in response to prior State audits, this suggestion was brought to the attention of the SLBPC, the SLBPC explained how the nature of asset forfeiture funding renders speculative predictions as to funding availability from fiscal year to fiscal year.

For the forthcoming fiscal year, and as part of its budget certification submitted to the City of St. Louis, the SLBPC has sought to provide, based on historical trends, an estimate of all funding which may come into the SLBPC possession during the ensuing fiscal year.

2. The SLBPC concurs with the State Auditor's view that "a complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each unit or division. A complete budget should include appropriate revenue and expenditure estimates by classification, and include

the beginning available resources and reasonable estimates of the ending available resources."

The SLBPC has, as the Auditor has noted, deviated from practices which require expenditures to be made during the fiscal year in which they are budgeted. It has done so primarily in relation to capital improvement projects whose performance carries over to the next fiscal year (e.g. the telephone acquisitions) and for outstanding workers' compensation payments similar to the City of St. Louis's use of Public Facility Protection Corporation. In those circumstances, as the Auditor has noted, the encumbered funds are held in the Secretary's Account for timely disbursement.

The SLBPC believes that through increased vigilance in contractual timing, the occurrence of these circumstances can be eliminated.

B. The SLBPC concurs that periodic, detailed and consolidated financial reports concerning the Secretary's Account would assist in keeping the board and citizens informed of the department's financial activity. While all of the information noted is reported to the SLBPC, the SLBPC agrees the better practice would be consolidated, periodic reporting of Secretary's Account activity.

These consolidated financial reports shall be prepared on a quarterly basis, a periodic basis determined to be acceptable by the State Auditor.

3. Bidding and Contracts

A. On June 30, 1998, the SLBPC maintained over $6.9 million in checking accounts and certificates of deposit (CD's) at one bank. The SLBPC has not bid any of its banking services. It appears the SLBPC could have earned additional interest income by soliciting bids on the purchase of CD's. In addition, the SLBPC could earn additional interest income by investing in CD's for longer than 30 days which is the investment period for all of the CD's the SLBPC currently holds. The amount of additional interest which could have been earned cannot readily be determined.

The SLBPC should choose its banking services through competitive bidding. Proposals should be solicited from area banks with the best, responsive proposals being used as the SLBPC depositary bank or banks. This process would ensure that the SLBPC is obtaining the best possible banking services at the lowest cost and that the SLBPC is earning the highest possible return on invested monies.

This condition was noted in our two prior audit reports and the SLBPC in its response to the prior audit indicated that the department had been discussing with the City Treasurer's

Office the issue of seeking RFP's for banking services within the city. However, the SLBPC did not seek bids for any banking services.

B. The SLBPC has not consistently followed their written bid policy. The department's stated policy requires bids to be solicited for all purchases over $1,000, and bids for purchases over $5,000 to be published in the City Journal.

1) We noted several instances where either bids were not solicited in compliance with department policy, or bid documentation was not retained. Examples included:

Information management	$198,000
Law enforcement equipment	82,360
Demolition	17,798
Marble wall cleaning	7,000
Computer equipment	6,744
Landscaping	5,206
Tires	1,900

2) In July 1998, the SLBPC accepted a $1,353,849 bid for the purchase of personal computer mobile laptops for law enforcement vehicles. The department received bids ranging from $760,240 to $1,747,453. The bid accepted was not the lowest bid, and adequate documentation was not maintained regarding the evaluation of bid proposals or the basis and justification for awarding the contract to a vendor other than the lowest bidder.

In January 1998, the SLBPC bid and purchased thirty-two high back chairs for the learning center totaling $22,048; however, the low bid totaled $14,080 and was for the same brand and style of chairs. No information was documented regarding the basis and justification for awarding the bid to a vendor other than the lowest bidder.

3) We noted instances in which separate purchase orders totaling in excess of $1,000 were issued to the same vendor within ten days of each other to acquire similar items. As indicated above, department policy requires that any purchase in excess of $1,000 be bid by the Purchasing Division. These instances included the following:

- On May 1, 1998 and May 4, 1998, the Purchasing Division issued what appeared to be identical purchase orders of $932 each to the same company for medical accessories.

- On November 21, 1996, the Purchasing Division issued a purchase order for $335 for embroidered shirts. On November 29, 1996, the Purchasing

Division issued two additional purchase orders for $902 and $141 to the same vendor.

The department's bid policy should be strictly followed. Competitive bidding helps ensure the department receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the department's business. In addition, complete documentation should be maintained of all bids received. If other than the lowest bid is selected, the reasons should be adequately documented.

C. The department does not always obtain formal written agreements with companies or individuals providing services and with not-for-profit organizations receiving subsidies from the department.

1) During our review, we noted the following amounts paid during the two years ended June 30, 1998, for which there were no written agreements:

Legal services	$ 14,321
Construction	15,692
Tuition reimbursement program	10,913
Helicopter training	5,320
Landscaping	5,296
Professional services	4,916
Consulting services	4,400

2) During the year ended June 30, 1998, the SLBPC disbursed $25,000 in asset forfeiture monies to a not-for-profit organization which recognizes youths for their outstanding achievements. The SLBPC also allows the not-for-profit to use office space in the headquarters building. In addition, the SLBPC also paid $6,680 in fiscal year 1998 to another not-for-profit organization to finance various sporting activities for children.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, association, or corporations except as provided in the constitution. Without a written contract that clearly indicates the public services being provided by these organizations, these subsidies and uses could be considered to be in violation of the constitution.

Written contracts establish payment terms, clarify responsibilities and expectations of both parties, and help ensure the department receives the services it needs. Furthermore, Section 432.070, RSMo 1994, requires all contracts to be in writing.

D. A contract was initiated with Regional Justice Information Systems (REJIS) to temporarily manage the department's Information System Division. Under the contract, REJIS

provided the department with an on-site manager to supervise operations and additional personnel to aid with high-level tasks such as Year 2000 (Y2K) compliance issues.

This contract should be monitored by an individual with sufficient technical qualifications to make recommendations and judgements on the quality of the work performed. The individuals currently monitoring this contract for the SLBPC do not have an information systems background.

Conditions A, B.1., and C.1. were also noted in our prior report.

WE RECOMMEND the SLBPC:

A. Obtain banking services through competitive bidding.

B. Ensure bids are solicited for all applicable purchases in accordance with the department's policy. Documentation of the bidding process should be maintained in all cases. If the SLBPC believes it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.

C. Obtain written agreements specifying terms of payment and the responsibilities of both parties for all services received.

D. Assign persons with sufficient technical knowledge to monitor contract compliance.

AUDITEE'S RESPONSE

A. The SLBPC concurs that selecting banking services through competitive bidding would help ensure that the SLBPC is obtaining the best possible banking services at the lowest cost and that the SLBPC is earning the highest possible return on invested monies. An RFP for banking services is currently being developed with the oversight by the SLBPC's Treasurer and Purchasing Member. The SLBPC is also investigating adopting cash management policies which mirror those jointly agreed to by the Mayor, the Comptroller, and the Treasurer of the City of St. Louis.

The SLBPC expects that an RFP will be published within ninety (90) days and that a competitively bid contract for banking services shall be in place at an early date during Fiscal Year 2000.

B.1. The SLBPC concurs with the State Auditor's observations that "[t]he department's bid policy should be strictly followed," that "competitive bidding helps ensure the department receives fair value by contracting with the lowest and best bidders, that "[b]idding helps ensure all parties are given an equal opportunity to participate in the department's business," and that "complete documentation should be maintained of all bids received"

and "[i]f other than the lowest bid is selected, the reasons should be adequately documented."

Two exceptions, whose amounts comprise over ninety percent of funds at issue in the noted exceptions, bear the following comment:

< *Information management - $198,000. Under the purchasing policies of the SLBPC, certain personal services or "sole source" purchases may be contracted for without the necessity of competitive bidding. The SLBPC has a longstanding relationship with REJIS, a not-for-profit entity created by concurrent ordinances of the City of St. Louis and St. Louis County, to provide centralized information management services. As part of the department's program for Y2K compliance of its information systems, and to enable the department to consider outsourcing portions of its information services, the SLBPC engaged the services of REJIS to provide information services for those purposes as a "sole source" exception to competitive bidding requirements.*

The SLBPC, since the end of the subject audit period, has competitively bid and contracted for consulting services for a wider range of technology advice and direction, which includes services that were the subject of the identified exception.

< *Law enforcement equipment - $82,360. The identified item refers to the purchase of weapon holsters. The department's Armorer conducted a study to determine which holsters, produced by various manufacturers, best advanced officer safety. The product determined to be best suited for the department's safety needs was produced by a single manufacturer and, thus, was a "sole source" purchase excepted from competitive bidding requirements.*

The SLBPC, through its purchasing department and with the oversight of the SLBPC's purchasing member, shall ensure that the decision making process in "sole source" purchases is better memorialized and that doubts concerning the applicability of competitive bidding processes shall be resolved in favor of competitive bidding.

2. < *Mobile Laptops - $1,353,849. The decision making process applied the nine, non-price, "must have" criteria set forth in the RFP: "ruggedized to MIL STD 810 D&E"; backlit keyboard; color & active matrix screen; CDPD modem compatibility; pointing device; Windows 95 or NT operating system; docking port; 133Mhz minimum speed; and 32 mb RAM (expandable to 64).*

Of the 13 vendors who responded to the RFP with a bid, only three - - United Technologies ($1,353,849), Capital Data ($1,393,610.26), and St. Louis Electronics ($1,747,453.75 [$1,712,504.68, with city vendor discount]) - - satisfied all of the non-price criteria.

Of these three, United Technologies, the low bidder, was selected. To the extent documentation made available at the time of the audit was insufficient for the State Auditor to determine this decision making process, the SLBPC, through its purchasing department, shall ensure that all such material is better collected and collated for future acquisitions.

< Thirty-two chairs (each $689) for Academy Learning Center. The subject chairs were not, as the State Auditor correctly observes, the lowest bid for the product. They were, however, part of an overall bid for furniture that, in the aggregate, presented the lowest overall bid. The vendor failed to perform under the contract. The SLBPC concurs that the subject chairs then should have been rebid. Because of this experience, the purchasing division is now particularly mindful of the perils of aggregate bids. The SLBPC will ensure that this exception will not reoccur by adding controls calculated to prevent such exceptions.

3. *The SLBPC concurs that the department's bid policy should be strictly followed. In light of the noted exceptions, which arose in circumstances where individual orders were close to the $1,000 bidding threshold, the SLBPC's purchasing division has implemented added controls calculated to prevent such exceptions from reoccurring.*

C. *The SLBPC concurs with the State Auditor's recommendation that any doubts concerning the need for written contracts for services provided should be resolved in favor of preparing such contracts to clarify the responsibilities and expectations of the parties, to confirm payment terms, and to ensure the department receives the services it needs.*

The SLBPC shall require better coordination between the purchasing and legal departments to avoid recurrence of these exceptions.

The SLBPC concurs with the principles underlying the State Auditor's recommendation and is preparing procedures to rectify this situation. The SLBPC nevertheless questions whether the requirements of R.S. Mo. §432.070 apply to the SLBPC in that statute, by its terms, refers only to a "county, city, town, village, school township, school district or other municipal corporation."

D. *Many technical functions of any organization are overseen by managers who, while not having the full extent of technical expertise of the direct service provider, are sufficiently experienced and resourceful as managers to test the sufficiency of technical services provided. A senior command officer experienced in management and technology issues and the department's chief financial officer were assigned to manage the REJIS contract.*

As part of the department's technology enhancement initiative, which include timely completion of Year 2000 (Y2K) compliance and other high level technology tasks, the Chief of Police has detached a deputy chief of police who, with the assistance of a highly trained competitively-bid outside consultant acting as his aid, shall make recommendations and

judgments on the quality of work performed by outside vendors in such high-level technology tasks.

4. Disbursement Procedures

A. The Budget and Finance Department stopped processing invoices on June 24, 1998. Approximately $561,500 in expenditures that were incurred in fiscal year 1998 were held and not paid until fiscal year 1999. We noted expenditures with invoice dates in February, April, and May 1998 that were not processed and paid until August 1998. Had these expenditures been charged against the 1998 budget, the department would have exceeded its budget authority by approximately $559,800. As noted earlier in this report, the SLBPC transferred over $1,700,000 from the city's General Fund to the Secretary's Account. Of this amount over $826,000 remained in the Secretary's Account at June 30, 1998, which contributed to the SLBPC's overspending its city General Fund budget.

Section 84.210.2, RSMo Cumulative Supp. 1998, provides that the amount of claims and salary shall not exceed, in any one year, the amount estimated for that year to the city. In addition, good business practice requires the department to make expenditures in a timely manner.

B. During our review of the department's disbursements, the following concerns were noted:

1) Adequate supporting documentation was not available to support some disbursements and no supporting documentation was available for other disbursements which totaled approximately $118,117. These disbursements were for a variety of items, including credit card bills, luncheons, consultant and legal services, reimbursements for tuition, motel and room charges, tools, and miscellaneous supplies.

2) The department provides travel advances for employees attending training seminars, conferences, and other travel. Subsequently, the employee will complete a travel request report and turn in appropriate receipts. Some cash advances, totaling $8,256, selected for review contained no travel request report or supporting receipts.

All disbursements should be supported by detailed expense accounts, paid receipts, contracts, or vendor provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds. Additionally, cash advances not supported by documentation of expenses could be improper disbursements of public monies. Therefore, all cash advances should have documentation to support the nature and reasonableness of the costs and any unspent monies should be promptly returned to the department.

C. During the two years ended June 30, 1998, approximately $5,300 of disbursements were made for which a public purpose was not demonstrated or documented. Monies were spent on luncheons and receptions, flower funds held by various units, various food and beverage items, and a cash payment for a distinguished service citation.

These disbursements do not appear to be a prudent use of public funds.

D. For calendar year 1997, the department did not prepare IRS Forms 1099-MISC for some applicable situations. Six businesses performed services for the department and were paid in excess of $600 from the Secretary's Account, but Forms 1099's were not filed for these businesses. Sections 6041 through 6051 of the Internal Revenue Code require nonemployee payments totaling $600 or more in one year to an individual or unincorporated business be reported to the federal government on this form.

WE RECOMMEND the SLBPC:

A. Review the impact of the fiscal year 1998 expenditures which were held and charged against the 1999 budget and make any necessary revisions. In addition, the SLBPC should ensure that all invoices are processed and paid on a timely basis.

B. Require the Budget and Finance Division to ensure all disbursements are supported by travel request reports, paid receipts, and/or vendor-provided invoices which contain an adequate description of the goods or services received.

C. Ensure disbursements are necessary and prudent uses of public funds.

D. Ensure Form 1099's are prepared and submitted as required.

AUDITEE'S RESPONSE

A. The SLBPC concurs with the State Auditor's view that "a complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each unit or division. A complete budget should include appropriate revenue and expenditure estimates by classification, and include the beginning available resources and reasonable estimates of the ending available resources."

The SLBPC has, as the Auditor has noted, deviated from practices which require expenditures to be made during the fiscal year in which they are budgeted. It has done so primarily in relation to capital improvement projects whose performance carries over to the next fiscal year (e.g. the telephone acquisitions) and for outstanding workers' compensation payments similar to the City of St. Louis's use of Public Facility Protection Corporation.

In those circumstances, as the Auditor has noted, the encumbered funds are held in the Secretary's Account for timely disbursement.

The SLBPC believes that through increased vigilance in contractual timing, the occurrence of these circumstances can be eliminated.

B. The SLBPC concurs that "[a]ll disbursements should be supported by detailed expense accounts, paid receipts, contracts, or vendor provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds." The SLBPC is in the process of collecting supporting documentation for all exceptions noted by the State Auditor.

Moreover, the SLBPC will improve the clarity of instructions to personnel as to what form of documentation is required for advances and reimbursements so that exceptions of this type will not reoccur.

C. The SLBPC acknowledges that, on their face, the exceptions noted by the State Auditor could appear to be tangential to the department's public function. The SLBPC seeks to expend such funds to serve bona fide public purposes of recruitment of officers, promoting collaboration between law enforcement agencies, and improving employee morale. The SLBPC shall nevertheless reevaluate expenditures of this type and will resolve any question as to public purpose in favor of seeking private funding for such purposes.

D. The SLBPC's purchasing division has put controls in place to ensure that all service providers are issued Form 1099's as required by the Internal Revenue Code.

5. Receipt Accounting Controls and Procedures

The SLBPC receives money from various sources. These monies are normally received and accounted for by the department's Budget & Finance Division. Other areas within the police department that collect monies are the Records Room, the Academy Fitness Center, the Crime Prevention/Alarm Unit, the Private Security Unit, and Prisoner Processing Units. We noted the following concerns with procedures regarding the handling of monies:

A. The Budget and Finance Division is the main fiscal office of the police department. They are responsible for budgeting, accounting and depositing of most of the money that the police department receives. The Budget and Finance Division works with monies of the General Fund and Secretary's Account and grant receipts. We noted the following areas of concern in the Budget and Finance Division:

1) The division receives cash, checks, and money orders from various sources. Receipt slips issued by the division do not always indicate the method of payment

received. In addition, the amount of cash, checks, and money orders according to the receipt slips issued is not reconciled to the deposit amounts. To ensure payments are deposited intact, the method of payments should be indicated on all receipt slips issued. The composition of receipt slips issued should be reconciled to the composition of bank deposits.

2) Receipts are not deposited or transmitted on a timely basis. We noted instances where monies were held between two and eight days before being deposited in the Secretary's bank account or transmitted to the City Treasurer. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits and transmittals should be made daily or when accumulated receipts exceed $100.

3) Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

4) The police department was holding approximately $27,000 in the Secretary's checking account as of June 30, 1998, that was due to the City Treasurer. Approximately $20,800 of this amount has been held for over two years. This money was from employees reimbursing for lost identification and parking tags, insurance reimbursements, and other revenues that are usually turned over to the city. Monies held for the city of St. Louis should be disbursed in a timely manner.

5) The police department deposits some revenues, such as, reimbursements for warranty work performed by Fleet Services and the sale of brass into the Secretary's Account. These monies are held for the division to spend as needed. The salaries of the mechanics who performed the warranty work and the ammunition were paid by the city's General Fund. Any revenues or reimbursements that are earned should be returned to the city's General Fund to offset the expenditures.

6) The Secretary's Account contains several sub-accounts functioning as receivable and liability accounts. The SLBPC does not have adequate controls in place to ensure that all monies advanced or owed are accounted for properly.

   For example, the SLBPC advances monies from the Secretary's Account to officers of the Warrant and Fugitive Section to pay the cost of extraditing prisoners from other states. The state reimburses the police department for the cost of extradition; however, the reimbursement checks are made payable to officers, instead of being made payable to the police department. The reimbursements are to be turned over to the Budget and Finance Division immediately upon receipt. The Budget and Finance Division maintains a sub-account in the Secretary's Account to track these advances. At June 30, 1998, the balance in the sub-

account was approximately $58,400. The Budget and Finance Division does not perform a reconciliation of advances still outstanding to reimbursement checks received from the state.

To ensure reimbursements are collected and properly remitted, the SLBPC should reconcile reimbursements received to the corresponding liability account on a monthly basis.

B. The Records Room and the Correspondence Unit collects monies from individuals, attorneys and insurance companies for copies of records checks, police reports, and photographs. The Correspondence Unit transmits the money to the Records Room. The Records Room prepares the deposit and then transmits the deposit to the Budget and Finance Division for safekeeping until picked up by the courier. The Records Room collected approximately $292,000, $316,000, and $319,000 in fiscal years 1998, 1997, and 1996, respectively. We noted the following areas of concern in the Records Room and Correspondence Unit:

1) Accounting duties for the photographs, computer runs, and 911 tapes are not adequately segregated. Currently, one clerk in the Correspondence Unit has the responsibility of receiving orders, billing, collecting monies, and distributing the orders.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. Internal controls could be improved by segregating the duties of receiving orders and billing from that of collecting monies and distributing the orders. If proper segregation of duties cannot be achieved, at a minimum there should be a documented independent comparison of invoices to amounts transmitted.

2) Although the Records Room and Correspondence Unit issues prenumbered cash invoices for the payment of fees, the Records Room does not account for the numerical sequence. The cash invoices serve as the individuals' and Records Room receipt. To provide assurance all monies are properly transmitted to the Budget and Finance Division, the numerical sequence of cash invoices should be accounted for properly.

3) The Records Room accepts cash, checks, and money orders for the payment of fees. Cash invoices issued by the Records Room do not indicate the method of payment received. To ensure payments are transmitted intact, the method of payments should be indicated on all cash invoices issued. The composition of cash invoices issued should be reconciled to the composition of transmittals to the Budget and Finance Division.

C. The Academy Fitness Center sells memberships to city, state, and federal employees. Membership fees are $90 for a full year and $45 for a half year. These monies are received by the Fitness Center employees and are transmitted to Budget and Finance Division for deposit. We noted the following areas of concern in the Academy Fitness Center:

1) Accounting duties are not adequately segregated. Currently, all record-keeping responsibilities, including receiving, recording, and transmitting the monies are performed by the three Fitness Center employees.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. Internal controls could be improved by segregating the duties of receiving and transmitting fitness center monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a documented independent comparison of receipt slips to amounts transmitted.

2) Receipts are not transmitted on a timely basis. Transmittals are generally made once a week and average $536. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed $100.

3) The Fitness Center accepts cash and checks for the payment of membership fees. Receipt slips issued by the Budget and Finance Division for amounts transmitted indicate the composition of monies transmitted, however, to ensure all monies have been transmitted intact, the composition of monies transmitted should be reconciled to the composition of receipt slips issued by the Fitness Center.

D. The Crime Prevention/Alarm Unit collects monies for security system false alarms. The fee structure for the false alarms was established by city ordinance 8.13.050. The Crime Prevention/Alarm Unit collected approximately $77,300, $79,300, and $112,900 in fiscal year 1998, 1997, and 1996, respectively. We noted the following areas of concern in the Crime Prevention/Alarm Unit:

1) Accounting duties are not adequately segregated. Currently, one clerk prepares the billing invoices, receives the collections, and prepares the deposits. This same clerk also sends out delinquent notices, investigates differences between the unit and the alarm user, and writes off uncollectible accounts without supervisory approval. In addition, no one prepared an independent reconciliation of the amounts receipted and deposited, to the payments recorded on the computer.

To ensure all billings are accounted for properly and that all potential revenues are collected and deposited, the duties of recording receipts, preparing billing invoices and/or delinquent notices should be segregated from that of receiving and depositing monies. A reconciliation is also necessary to ensure all receipts have been properly recorded and deposited. The write off of any unpaid amounts should have prior supervisory approval.

2) Prenumbered receipt slips are not issued for all monies received. Payments received through the mail are not issued a receipt slip. To adequately account for all alarm fees received, prenumbered receipt slips should be issued for all monies received.

3) Receipts are not deposited on a timely basis. Deposits are generally made twice a month and average over $3,500. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed $100.

4) Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

5) Crime Prevention/Alarm Unit records indicate accounts receivable totaled $341,740 as of October 3, 1998. Several receivables have been outstanding since January 1992. Accounts receivable are not reviewed on a periodic basis to determine the collectability of the accounts and to turn over delinquent receivables for prosecution. City ordinance 8.13.050 states failure to pay the aforesaid false alarm fines within ten days from the date of notification shall constitute a violation and result in prosecution of the subscriber.

E. The Private Security Unit collects monies from individuals and companies for the licensing of individuals as watchmen, security officers, corporate security advisors, and metro licenses. The private security unit collected approximately $70,800, $99,500, and $99,600 in fiscal year 1998, 1997, and 1996, respectively. We noted the following areas of concern in the Private Security Unit:

1) Monies received are not always deposited intact. Personal checks are occasionally cashed from cash collections. As a result, the composition of receipts does not always agree to the composition of deposits.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are accounted for properly, all receipts should be deposited intact daily, and there should be a documented independent comparison of the composition of receipts to the composition of deposits.

2) Advance payments from companies are not entered in the cash register. To help ensure collections are properly recorded and deposited, advance payments should be entered in the cash register.

F. The department collects bond monies at headquarters (prisoner processing) for two types of bonds--city ordinance and fugitive. City ordinance bond monies are also collected at the three area superstations or command centers. City ordinance bonds are posted for city ordinance violations. Fugitive bonds are collected for persons arrested on warrants issued by other law enforcement agencies. Our review of bond collection procedures and records noted the following concerns:

1) Standard record-keeping procedures for city ordinance bonds have not been developed at the area command centers. In addition, the numerical sequence of bond forms is not accounted for by the area command centers. The numerical sequence of bond receipt forms issued should be accounted for to ensure all monies receipted have been properly recorded and transmitted to the city traffic violation bureau (TVB).

This condition was noted in the prior report.

2) The three area superstations collect city ordinance bond monies. Bond monies transmitted to the TVB are not periodically reconciled to the area superstation's records of bond monies collected. To adequately account for all bond monies received, bond monies transmitted to the TVB should be periodically reconciled to the area superstation's records by an independent person.

3) City ordinance bond monies are not transmitted on a timely basis. We noted instances where cash bonds were held between two and seven days before being transmitted to the TVB. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed $100.

WE RECOMMEND the SLBPC:

A.1. Indicate the method of payment on all receipt slips issued and reconcile total cash, checks, and money orders received to bank deposits.

2. Deposit or transmit receipts daily or whenever accumulated receipts exceed $100.

3. Restrictively endorse all checks and money orders immediately upon receipt.

4. Transmit monies due to the city on a timely basis.

5. Deposit monies received into accounts from which the corresponding expenditures were paid.

6. Establish adequate controls and records to account for receivables and liabilities maintained in the sub-accounts.

B.1. Adequately segregate duties between available employees and/or establish a documented periodic review of records by an independent person.

2. Account for the numerical sequence of cash invoices.

3. Indicate the method of payment on cash invoices issued and reconcile total cash, checks, and money orders received to transmittals to the Budget and Finance Division.

C.1. Adequately segregate duties between available employees and/or establish a documented periodic review of records by an independent person.

2. Transmit receipts daily or whenever accumulated receipts exceed $100.

3. Reconcile the composition of receipt slips issued by the Fitness Center to the composition of amounts transmitted to the Budget and Finance Division.

D.1. Adequately segregate accounts receivable record functions from access to receipts. If adequate segregation is not possible, someone independent of these processes should reconcile receipt slips to deposits and to payments posted to the computer. In addition, SLBPC should require supervisory review and approval of all write offs.

2. Issue prenumbered receipt slips for all alarm fee monies received and account for the numerical sequence. In addition, the alarm fee monies received by the Crime Prevention/Alarm Unit should be reconciled to the deposit.

3. Deposit or transmit receipts daily or whenever accumulated receipts exceed $100.

4. Restrictively endorse all checks and money orders immediately upon receipt.

5. Implement procedures regarding the determination of uncollectible accounts receivable. Amounts deemed uncollectible by the unit should be referred to the city for prosecution.

E.1. Discontinue the practice of cashing checks, deposit all receipts intact, and require the reconciliation of the composition of receipts to the composition of deposits by an independent person.

2. Enter all monies received in the cash register.

F.1. Develop departmentwide standard record keeping procedures for city ordinance bond receipt forms so that city ordinance bond receipt forms are issued and filed in numerical sequence, the sequence is accounted for, receipt numbers are recorded on the bond logs, and receipts are agreed to transmittals.

2. Ensure bond monies transmitted to the TVB are reconciled to the area superstation's records by an independent person.

3. Transmit bond monies daily or whenever accumulated receipts exceed $100.

AUDITEE'S RESPONSE

A. The SLBPC concurs with the recommendations of the State Auditor and has responded as follows:

1) All receipt and deposit slips are recorded by composition and are reconciled against one another.

2) Although all receipts are secured in the department safe immediately upon receipt, the SLBPC's budget and finance division shall use its best efforts to deposit accumulated receipts in excess of $100 on a daily basis.

3) Although all checks and money orders are secured in the department safe immediately upon receipt, they are now restrictively endorsed upon receipt as well.

4) The purpose for which excepted reimbursement was made was undetermined for an extended period of time. It has since been determined and appropriately disbursed. This was an unusual circumstance that is not likely to reoccur.

5) The SLBPC concurs that reimbursements for warranty work and sale of brass be credited to the city's general fund as a net reduction in the SLPD's expenditures.

6) The SLBPC, through its budget and finance division, has implemented the suggested controls on its receivable and liability accounts, with the specific suggestion concerning costs of the Warrant and Fugitive Division that the receivables would be handled through the city's computer software operations and that it be monitored by the Correspondence Investigation Division Commander through his chain of command as promogulated by procedures documented in the police manual drafted by the Divisions of Planning and Development and Budget and Finance.

B. The SLBPC's concurs with the recommendations of the State Auditor, including those relating to composition of receipts and deposit of funds. Implementation of these recommendations shall be assisted by the internal auditor and newly-formed Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

C. The SLBPC's concurs with the recommendations of the State Auditor, including those relating to composition of receipts and sequencing of cash invoices. Implementation of these recommendations shall be assisted by the internal auditor and the newly-formed Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

D. The SLBPC's concurs with the recommendations of the State Auditor, including those relating to composition and sequencing of receipts, and restrictive endorsement and timely deposit of receipts. Implementation of these recommendations shall be assisted by the internal auditor and the newly-formed Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

The SLBPC notes, however, that the Crime Prevention/Alarm Unit is a creature of ordinance which imposes a fine on persons who permit false alarms for police service. The ordinance imposes on the department the obligation to collect the specified fine.

Other agencies of city government are better suited than the St. Louis Metropolitan Police Department to perform this function. Plainly put, the department's mission is crime fighting and public safety, not bill collecting. The SLBPC, while exercising its best efforts to respond to the observations of the State Auditor concerning this function, shall seek a transfer of this function through ordinance to an agency of City government organized to perform the fine collecting responsibilities of the current ordinance.

E. While all funds collected by the department's private security division were fully accounted for during the audit period and all funds were maintained in a secure location at all times, the SLBPC has implemented controls which shall further reduce even the potential for theft or misuse of funds. By order of the Chief of Police, any practices that led to the cashing of personal checks has been discontinued and shall not reoccur. Additional coding has been added to cash register transactions. Deposits shall be accompanied by an itemized composition, with comparison to the composition of receipts, and best efforts shall be made to ensure deposits are made daily.

F. The SLBPC's concurs with the recommendations of the State Auditor, including standardization of record-keeping among the area command centers, reconciliation of bond monies collected, transmittal of bond monies, and timely deposit of receipts. Implementation of these recommendations shall be assisted by the internal auditor and the newly-formed

Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

6. Inventory Controls and Procedures

A. The department operates a supply warehouse (Supply Division) which stocks various items used by the department. During our review of the Supply Division we noted the following concerns:

1) The Supply Division maintains a report which tracks the monthly usage of each supply item, and an average monthly usage is calculated based on this information. The Supply Division does not periodically prepare a report including the beginning balance, supply issuances, purchases and ending balances for each item. A summary report would allow the division to determine, in one report, the transaction history for each part for the period covered by the report, which could aid in reordering and allow monitoring of inventory activity.

2) During our review we examined selected stock items to determine if the Supply Division was maintaining stock in excess of the department's needs. We noted several items which appeared to have excessive quantities on hand. Some of the excessive quantities noted included:

Supply Item	Quantity on Hand	Monthly Usage During Fiscal Year 1998	Number of Months Supply on Hand	Total Inventory Cost
1 Part Stocktab	504	38	13	$ 7,288
2 Part Stocktab	86	5	18	2,448
Laser Jet Toner Cartridge	387	30	13	10,643
11 1/2 X 14 Gum/Flap Envelopes	108,070	858	126	8,646
Record Books	446	29	15	3,804
Small Evidence Bags	5,254	628	8	2,049
Evidence Pistol Envelope	6,396	245	26	5,948
Property Envelope	43,879	5,099	9	3,949
Total				$ 44,775

Supply Division personnel indicated that a portion of the overstock items were due to incorrect minimum stock level quantities and reorder amounts, and changes in the usage. To adequately minimize inventory costs, the Supply Division should evaluate the reorder quantities and usage to ensure supplies do not exceed expected usage.

3) During our review for excessive stock quantities we noted several items which appeared to be obsolete. Some of the obsolete items noted included:

Part Item	Quantity on Hand		Total Inventory Cost
Laser Toner EP	9	$	729
3 Part Continuous Feed Paper	28		510
20 Meg Bernoulli Cartridge	4		560
Okidata Toner Cartridge	15		615
Copy Cartridge 5012/5014/1012	3		1,029
Fatal Bullet Expands	1,800		1,764
Total		$	5,207

Supply Division personnel indicated that a portion of the obsolete items were due to changes in usage or disposal of the fixed assets, such as copy machines and typewriters. The Supply Division has contacted several units within the police department inquiring about the usefulness of these items. To adequately minimize inventory costs, the Supply Division should evaluate usage to ensure supplies are investigated for obsolete items.

B. The department operates a service garage (Fleet Services) to perform maintenance on department vehicles. Fleet Services maintains an inventory of gasoline, lubricants, and auto parts and supplies. The following concerns regarding records and procedures at Fleet Services were noted:

1) Fleet Services prepares separate purchase and issuance reports; however, a summary report that shows the beginning balance, purchases, issuances, and ending balance for each part is not periodically prepared. A summary report would allow Fleet Services to determine, in one report, the transaction history for each part for the period covered by the report, which could aid in reordering and allow monitoring of inventory activity.

2) Fleet Services does not perform periodic physical inventory counts of the parts kept in stock. According to department personnel, periodic spot checks are performed on the parts inventory; however, these spot checks are not documented. Fleet Services does perform annual physical inventory counts. Without periodic inventory records, Fleet Services cannot obtain assurance that inventory is accounted for properly.

C. The department maintains firearms, ammunition, and various related supplies in the Armory. The guns held in stock in the Armory are not periodically counted, and a periodic inventory count is not performed by staff outside the Armory. Without periodic inventory

counts which are reconciled to perpetual inventory records, the Armory cannot obtain adequate assurance that inventory is accounted for properly.

Conditions similar to A.2. and B.1. were also noted in our prior report.

WE RECOMMEND the SLBPC:

A.1. Prepare a quarterly report that shows the beginning balance, purchases, issuances and ending balance for each supply item.

2. Order supplies based on expected usage to reduce excessive supply inventories.

3. Determine if any of the obsolete items can still be used, and properly dispose of those items that are no longer used.

B.1. Prepare a quarterly report that shows the beginning balance, purchases, issuances and ending balance for each part.

2. Ensure a periodic physical count of inventory is performed quarterly by an employee independent of parts operations. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.

C. Ensure a periodic physical count of inventory is performed at least quarterly by an employee of the Armory and annually by an employee independent of the Armory. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.

AUDITEE'S RESPONSE

A. The SLBPC concurs with the recommendations of the State Auditor and notes that newly implemented bar coding technology should assist in achieving the recommended action. Implementation of these recommendations also shall be assisted by the internal auditor and the newly-formed Financial Control Quality Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

B&C. The SLBPC concurs with the recommendations of the State Auditor. Implementation of these recommendations, including those relating to inventory count, shall be assisted by the internal auditor and the newly-formed Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

7. Traffic Ticket and Parking Tag Controls

The SLBPC issues traffic ticket summonses (UTT's) and parking tags for violations of state laws and city ordinances. The Supply Division maintains a stock of UTT's and parking tags. The area stations and other patrol units requisition cases of tickets and tags as needed. Officers are assigned ticket books from the patrol unit's supply cabinet and the officers are supposed to sign a log indicating the ticket numbers they receive. A cover sheet and completion sheet are included in each ticket book which are to be filled out by the officer and submitted to the commanding officer as the books are started and finished. The cover and completion sheets are forwarded to Information Services Division (ISD) where they are filed in numerical order, retained approximately one year, and subsequently discarded. As tickets are issued or voided, the commanding officer reviews the ticket, batches the tickets, prepares a transmittal log, and forwards the tickets to ISD for data entry. After data entry, the tickets are transmitted to the city of St. Louis Traffic Violation Bureau for processing. The parking tags are forwarded to the St. Louis City Treasurer's Office for processing and collection. Copies of ticket transmittal envelopes are returned to the area stations.

Our review of ticket procedures and records disclosed the following concerns:

A. The department does not ensure logs of ticket books assigned to officers are completed. The name of the officer receiving each book was not always documented, as well as the date the books were received. In addition, we noted that ticket books were not always assigned to the officers in numerical sequence, and we noted one instance where the officer did not issue his tickets in numerical sequence.

B. ISD discards the cover and completion sheets after approximately one year, so the audit trail for tickets is lost. In addition, the divisions assigning tickets only maintain their ticket logs for thirteen months.

C. The department does not account for tickets assigned and issued and their ultimate disposition. During our review of ticket procedures, we noted that five out of the 100 UTT's tested had been voided by the officers and not turned over to their supervisors in accordance with department policy. The department does not ensure that voided tickets are handled properly. We also noted that although the system is in place to account for the numerical sequence of the tickets issued, a report of tickets issued is not generated to account for the numerical sequence.

Without a proper accounting of the numerical sequence and disposition of tickets the police department cannot be assured that all tickets issued were properly submitted to the court for processing. Records listing the ticket books assigned, each ticket number, issuing officer, the date issued, the violator's name and the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly. Additionally, the Missouri Municipal Records Manual published by the Secretary of State's Office, Records Management and Archives Service, generally requires maintenance of these types of documents from two to five years.

Similar conditions were also noted in our two prior audits.

WE AGAIN RECOMMEND the SLBPC:

A. Require the area stations and other patrol units to maintain accurate and complete logs of traffic and parking tickets received and issued. Ticket books should be assigned to officers in numerical order and the officers should issue all tickets in numerical order.

B. Require ISD maintain a permanent record of books started and completed, and maintain these records in accordance with the police policy. In addition, the SLBPC should review the record retention policy and revise the policy to meet the requirements of the Missouri Municipal Records Manual.

C. Account for the numerical sequence of tickets assigned and issued and their ultimate disposition.

AUDITEE'S RESPONSE

The SLBPC concurs with the recommendations of the State Auditor and notes that a new envelope system of tag issuance should alleviate some of the accounting issues identified. Automation improvements shall be explored as part of the department's technology initiative. Implementation of these recommendations also shall be assisted by the internal auditor and the newly-formed Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

8. Cash Funds

The SLBPC provides the Vice/Narcotics Division and the Intelligence Division with cash funds which are to be used for specific law enforcement purposes. Each year, the Vice/Narcotics Division receives between $80,000 and $150,000 in Narcotics Control Assistance Program (NCAP) grant monies and city special investigative fund appropriations. These monies are used to periodically replenish two cash funds. From these funds, detectives buy evidence and information relating to various drug cases.

These cash funds are under the exclusive control of the Vice/Narcotics Division and no independent review is made to ensure they are maintained properly. Two officers in the division are responsible for receipting, recording, and custody of cash in these two funds, one containing NCAP monies and the other containing city special investigative fund monies. Each officer is responsible for only one cash fund. The supervisor of the division performs a monthly review of records and observes monthly cash counts; however, this review is not documented.

We noted one instance where an officer of the Narcotics Division was not properly adjusting the ledger balance when any monies were returned by the narcotics officers. The officer accumulated

approximately $15,540 from the returned monies which was maintained separately from the cash fund. The $15,540 was forwarded to the Budget and Finance Division.

Periodically these funds should be counted and reconciled to the ledger balances by an outside unit to ensure funds are being accounted for properly, to detect any errors, and to help ensure these monies are properly expended.

WE RECOMMEND the SLBPC require the cash funds to be periodically counted and reconciled to the ledger balance by an outside unit. Additionally, the supervisor of the division should document all monthly reviews.

AUDITEE'S RESPONSE

Although all funds received by the Narcotics Division are fully accounted for, the SLBPC concurs with the State Auditor's recommendation that such "funds should be counted and reconciled to the ledger balances by an outside unit to ensure funds are being accounted for properly to detect errors and to help ensure these monies are properly expended." A policy providing these measures has been developed, and its implementation shall be assisted by the internal auditor and the newly-formed Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

9. State Forfeitures

A. As of September 1998, the SLBPC was holding over $79,000 in interest monies earned on Criminal Activity Forfeiture Act (CAFA) Funds. The CAFA Funds are held in a separate interest bearing checking account.

Article IX, section 7 of the Missouri Constitution relates to school funds. This provision states that all proceeds resulting from the forfeitures and fines collected shall be distributed annually to the schools. The Missouri Supreme Court has held that all CAFA forfeitures are included under this provision and must be distributed to the schools.

The general rule is that interest takes the same character as the proceeds from which it is earned. Since the CAFA forfeitures are constitutionally restricted, the interest earned on CAFA forfeitures should be credited to the CAFA funds and should be distributed the same as the CAFA proceeds.

B. In May 1997, the SLBPC entered into a contract with a company for towing and storage of vehicles seized by the department under the CAFA. This contract was entered into without soliciting bids. The company pays the SLBPC one-half of the amount collected from owners/claimants for vehicles released. As of November 1998, the SLBPC had received approximately $93,300 from the company.

There appears to be no statutory authority for the SLBPC to contract with a towing and storage company for profit by the department. Under Section 84.090.2, RSMo 1994, the SLBPC is charged to "protect the rights of persons and property". The SLBPC becomes a trustee for these vehicles and has a duty to act in the interest of the owner. It appears that the SLBPC should negotiate or bid the best and lowest fees possible.

WE RECOMMEND the SLBPC:

A. Disburse the interest earned on the CAFA funds in the same manner as the proceeds from the CAFA forfeitures.

B. Negotiate or solicit bids to obtain the best and lowest fees possible. In addition, the SLBPC should not enter into a contract which requires the towing and storage company to provide a portion of the fees collected to the SLBPC.

AUDITEE'S RESPONSE

A. The correct disposition of these funds has been negotiated in accordance with the memorandum signed by the St. Louis Circuit Attorney.

B. Because of the nature of tow yards, and the difficulty of transition from one to another, the SLBPC considered it economically unrealistic to separately bid for such service. In response to the State Auditor's recommendation, however, the SLBPC shall competitively bid such services. The SLBPC, even if deemed a "trustee" of such property, is entitled to receive reimbursement for administrative expenses.

10. Minutes of Meetings and Records

A. The SLBPC held several closed meetings during the years ended June 30, 1998, 1997, and 1996. During some of the closed meetings, matters were discussed which do not appear to be allowed by Section 610.021, RSMo 1994. Examples of matters discussed in closed meetings include approval of contracts and discussions regarding budgets, contracts, asset forfeiture funds, federal grants, and capital improvement plans.

Section 610.021, RSMo 1994, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigations, real estate transactions, and personnel. The above issues do not appear to meet requirements for closed sessions.

B. The SLBPC's record retention policy is documented in Administrative Order 85-A-2. In general, the policy requires a thirteen month retention period for most source documentation related to typical daily activity of the department. During our review of the SLBPC, we were unable to review cash register tapes, transfer count reports showing

parking tickets transferred to REJIS and the related transfer errors, and the traffic ticket transmittal envelopes.

The Missouri Municipal Records Manual published by the Secretary of State's Office, Records Management and Archives Service, generally requires maintenance of these types of documents from two to five years.

This condition was also noted in the prior report.

WE RECOMMEND the SLBPC:

A. Limit closed session meetings only to purposes specifically allowed by state law.

B. Review the record retention policy and revise the policy to meet the requirements of the Missouri Municipal Records Manual.

AUDITEE'S RESPONSE

The Board of Police Commissioners concurs with the recommendations of the State Auditor as follows:

A. As to matters relating to actions taken in closed session, the circumstances the State Auditor has brought to the board's attention relate almost exclusively to matters that involved issues that, in part, are to be considered in closed session and, in part, in open meetings. Henceforth, the SLBPC and the board secretary will ensure that upon resolution of the part of the issue to be considered in closed session - - whether it be personnel related or present confidential legal issues - - the remaining part of the issued shall be brought into open session for discussion and ratification.

B. The SLBPC shall have the board secretary and legal counsel examine its records retention policy and ensure that it complies with applicable state law.

11. Fixed Asset Records and Procedures

Our review of the department's fixed assets records and procedures revealed the following weaknesses:

A. The SLBPC's policy on fixed assets does not include procedures for performing an annual inventory. During the year ended June 30, 1998, the SLBPC did not conduct a physical inventory of all police department-owned property. Such procedures are necessary to ensure everyone involved in the inventory process is aware of their role and to ensure all results of the inventory are adequately documented. In addition, an annual inventory is

necessary to ensure all police department assets can be accounted for properly. The results of the physical inventory should be compared to the property records and any discrepancies investigated.

B. Additions and deletions of fixed assets are not recorded in the asset records as they occur. In addition, fixed asset additions are not reconciled to equipment purchases. Timely recording of all fixed asset additions and deletions helps ensure that all property is accounted for properly and that the records are current. Performing a reconciliation of fixed asset additions and equipment purchases would help ensure all applicable equipment purchases have been properly added to the fixed asset records.

C. Asset records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of the year. An annual summary of changes in fixed assets provides a basis for proper financial reporting and allows the physical inventory conducted to be reconciled to the fixed asset records.

WE RECOMMEND the SLBPC:

A. Ensure the policy includes a section on performing an annual inventory. In addition, the SLBPC should perform and document annual inventories of fixed assets.

B. Maintain accurate fixed asset records on a current basis and periodically reconcile these records to fixed asset purchases.

C. Maintain asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

AUDITEE'S RESPONSE

The SLBPC concurs with the recommendations of the State Auditor. Automation improvements shall be explored as part of the department's technology initiative. Implementation of these recommendations also shall be assisted by the internal auditor and the newly-formed Financial Quality Control Unit under the supervision of the SLBPC President and Treasurer and the Chief of Police.

12. Computer Controls

Our review of the ISD (Information Services Division) operations indicated the following areas where improvements are needed:

A. The ISD has no formal contingency plan for the computer system. Contingency plans should consist of plans for a variety of contingency situations including both short-term and

long-term plans for backup hardware, software, data, and facilities in the event of system failure or other disaster. The police department relies heavily on the data processing functions to provide computer aided dispatching, police incident reporting, complaint tracking, and duty roster tracking. Given the heavy reliance by the police department on the computer system for its day-to-day operations, the need for contingency planning is evident.

B. Access to computer files and programs are not adequately restricted. Passwords and user identifications (IDs) are not promptly deleted upon employee termination or transfer. In addition, numerous incorrect log on attempts are not investigated on a periodic basis. Passwords and IDs should be promptly deleted upon employee termination or transfer to reduce the possibility of unauthorized users gaining access to the police department system.

WE RECOMMEND the SLBPC:

A. Develop formal contingency plans including arrangements for backup facilities and equipment. The SLBPC should also provide a system for periodic review and testing of the contingency plan.

B. Ensure that passwords and IDs are promptly deleted upon employee termination or transfer. Additionally, the SLBPC should investigate incorrect log on attempts on a periodic basis.

AUDITEE'S RESPONSE

The SLBPC concurs with the recommendations of the State Auditor and notes that both of these issues have been addressed and are in the process of implementation as part the department's technology initiative. The updating and deletion of passwords and user ID's has been achieved and security shall be enhanced and made accountable through appointment of an ISD supervisor of security.

AUDITEE'S OVERALL RESPONSE

The single greatest benefit the SLBPC derived from the audit process has been calling to the Board's attention the need for institutional mechanisms to prompt the Board - - which, along with the department's senior management, has undergone recomposition since the last State audit conducted in 1994 - - to follow in a systematic way progress made on past recommendations. In response to the current audit, and to provide for these mechanisms, the SLBPC and the Chief of Police shall institute on an ongoing basis the following:

< *An internal auditor, who shall lead a permanent detail of both commissioned and civilian staff - - the Financial Quality Control Unit - - and report to an audit committee consisting of the SLBPC's President and Treasurer and the Chief of*

Police shall be appointed and charged with assisting the department's operational units to effect the management improvements recommended by the State Auditor. Weaknesses identified by the State Auditor in operational units' financial management and practices are, in the SLBPC's judgment, a function of the enormous law-enforcement and technical duty demands imposed on such units. By charging an internal auditor with the duty of assisting operational units in the implementation and execution of business and financial practice improvements and monitoring such progress, most of the identified weaknesses shall be promptly resolved and shall not reoccur.

- *The Board, itself, shall, by a fixed agenda item, receive a report regularly, and at least quarterly, from the internal auditor and Financial Quality Control Unit as to the status of initiatives undertaken in response to the State Auditor's suggestions.*

- *The department's information technology initiative, currently led by Lt. Col. Raymond Lauer, with the assistance of the consulting firm of Arthur Andersen, shall, over the course of three years, implement, among other things, improved management automation technology as well as training of personnel in the use of this technology. These efforts shall better and systematically prompt financial controls and reduce incidents of human error in financial and asset management.*

- *The SLBPC, prior to the completion of the audit, determined to undertake a process of strategic planning, by among other things, focusing senior managers on the budget process at an earlier date so that the Budget can better serve as a management tool for the department and development of written financial policies that better detail financial practices and better coordinate those practices among the Department's operational units.*

- *The SLBPC shall enhance collaboration with agencies of City government, including the Mayor's staff, the Budget Director, the Comptroller and the Treasurer, and shall seek to hold quarterly meetings with representatives of each to obtain their input on matters of shared responsibility with the department.*

- *Mid way through the audit period, the SLBPC hired a certified public accountant to serve as purchasing director for the department, thereby bringing a new level of professional training to the position.*

Over the past three years, the SLBPC and the Chief of Police focused the greatest part of the department's resources and attention to reaching new levels of excellence and accomplishment in law enforcement. These efforts yielded unprecedented improvements in community safety and dramatic decreases in the incidence of the most serious criminal activities. The SLBPC recognizes that public confidence in the Department requires that comparable excellence be achieved in all

aspects of its management and believes that the State Auditor's efforts provide valuable assistance towards that end.

This report is intended for the information of the board's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-up on State Auditor’s Prior Recommendations

SPECIAL REVIEW OF THE
ST. LOUIS BOARD OF POLICE COMMISSIONERS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the St. Louis Board of Police Commissioners (SLBPC) on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended June 30, 1993.

The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the board should consider implementing these recommendations.

1. Expenditures

A. During the two years ended June 30, 1993, the SLBPC paid $76,103 for health and life insurance for current and former commissioners.

B. The SLBPC did not require that mileage logs be maintained for executive vehicles. Since 1988, the SLBPC had expended over $311,000, including trade-in allowances, for the purchase, maintenance, repairs, and insurance for executive cars for these individuals. In addition, the SLBPC was providing legal counsel for current and former commissioners in defense of an IRS case involving personal use of executive cars.

C.1. During the two years ended June 30, 1993, the SLBPC paid a law firm $372,578 for professional services without maintaining documentation supporting these expenditures including dates and hours worked and work performed.

2. The department paid over $9,800 for legal services without contracts specifying the hourly rates to be charged and the services to be provided by the legal firms retained.

Recommendation:

The SLBPC:

A. Discontinue the practice of providing insurance benefits for current and former commissioners.

B. Require mileage logs to be maintained for all executive vehicles to ensure the vehicles are justified for business purposes and used only for department business, or discontinue the practice of purchasing and providing executive vehicles. In addition, the SLBPC should discontinue the payment of expenses in defense of the IRS case involving personal use of the executive vehicles and consider the recoupment of the legal expenses already incurred.

C.1. Require adequate documentation to support professional services expenditures made to the general counsel.

2. Execute written contracts for all outside legal services which specify hourly rates and services to be provided.

Status:

A. Not implemented. See MAR No. 1.

B. Not implemented. The SLBPC does not require mileage logs to be maintained for executive vehicles. The SLBPC has not provided board members an executive vehicle in the last three years. The IRS case involving personal use of the executive vehicles has been settled; therefore, the SLBPC has discontinued providing legal counsel.

C.1. Not implemented. It appears the SLBPC has improved on retaining legal invoices documenting expenses, dates and hours worked, and work performed; however, we were unable to locate some legal invoices. See MAR No. 4.

2. Not implemented. See MAR No. 3.

2. Procurement Procedures

A. Bids were not always solicited for various purchases made by the department during the two years ended June 30, 1993.

B. The SLBPC did not bid any of its banking services and did not have current written depositary agreements with the bank.

Recommendation:

The SLBPC:

A. Solicit bids for all purchases in accordance with the department's stated policy and document all price quotes obtained on non-bid items.

B. Obtain banking services through competitive bidding. Written depositary agreements should be obtained from each depositary bank which specifies the services to be provided and any applicable costs for these services.

Status:

Not implemented. See MAR No. 3.

3. Inventory Controls and Procedures

A. The department operates a service garage (Fleet Services) to perform maintenance on department vehicles.

1. A summary report that showed the beginning balance, purchases, issuances, and ending balance for each part was not periodically prepared.

2. We noted several items which appeared to have excessive quantities on hand.

B. The department operates a supply warehouse (Supply Division) which stocks various items used by the department.

1. The duties of recording inventory transactions and reconciling physical count results were not adequately segregated.

2. The Supply Division did not retain the count sheets from the semi-annual physical inventory counts after adjustments were made to inventory balances and inventory balance adjustments were made prior to supervisory approval.

3. We noted several items which appeared to have excessive quantities on hand.

C. The department maintains firearms, ammunition, and various related supplies in the Armory.

1. The Armory did not have written procedures for inventory movements and records.

2. The Armory did not maintain records of the number of rounds of ammunition dispensed at the firing range.

Recommendation:

The SLBPC:

A.1. Prepare a quarterly report that shows the beginning balance, purchases, issuances, and ending balance for each part.

2. Order parts based on expected usage to reduce excessive parts inventories.

B.1. Segregate the duties of recording transactions in the inventory system and reconciling supply inventory counts to inventory balances.

2. Obtain and document supervisory approval prior to making adjustments to the supply inventory records and retain documentation of count results to support supply inventory adjustments.
3. Order supplies based on expected usage to reduce excessive supply inventories.

C.1. Develop written procedures for Armory inventory movement and inventory records.

2. Reconcile the amount of ammunition used at the firing range to the amount removed from the vault.

Status:

A.1.
&B.3. Not implemented. See MAR No. 6.

A.2. Partially implemented. During our review, we still noted some items which appeared to have excessive quantities on hand. However, most of the items noted were decals which are no longer used. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.

B.1.,
B.2.,
&C.1. Implemented.

C.2. Not implemented. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.

4. Traffic Ticket and Parking Tag Controls

A. The department did not ensure logs of ticket books assigned to officers were completed. In addition, logs were destroyed after thirteen months.

B. The department did not ensure that cover and completion sheets were properly submitted to ISD. In addition, ISD discarded the sheets after approximately six months.

C. The department did not account for tickets assigned and issued and their ultimate disposition.

Recommendation:

The SLBPC:

A. Require the area stations and other patrol units to maintain accurate and complete logs of traffic and parking tickets received and issued. These logs should be retained until subjected to final audit.

B. Require that cover and completion sheets be submitted to ISD to document when a book is started and completed, and require ISD to maintain a permanent record of books started and completed.

C. Account for the numerical sequence of tickets assigned and issued and their ultimate disposition.

Status:

Not implemented. See MAR No. 7.

5. Budgeting of Funds

A. The SLBPC did not prepare budgets for the Secretary's Account funds and some government grant and contract funds.

B. During the two years ended June 30, 1993, the SLBPC sold two buildings for a total of $958,137. The buildings apparently were purchased with monies from the General Fund of the city of St. Louis. The sale proceeds were deposited in the Secretary's Fund and used to fund the Special Operations Building.

Recommendation:

The SLBPC:

A. Prepare budgets of revenues, resources, and expenditures for the Secretary's Account and all grant and contract revenues. These budgets should be formally reviewed and approved by the board and used as a guideline for the activity of these funds.

B. Obtain written agreements from the city before making sales of city funded SLBPC buildings.

Status:

A. Not implemented. See MAR No. 2.

B. The SLBPC did not sell any buildings during the two years ended June 30, 1998. However, if such transactions do occur in the future, the SLBPC should consider following this recommendation.

6. Construction Management

A.1. It appeared that the department did not have an independent or qualified person reviewing construction progress and monitoring contract compliance.

2. The board assigned construction liaison duties to the Bureau of Administration. The persons who maintained daily contact with the architect and contractor were commissioned officers and were not experienced in the construction industry. As a result, there were several design flaws which were not discovered by the department until the flaws appeared in the completed product.

B. The inexperience of the department personnel allowed the project's change orders to become excessive. In addition, some change orders were approved by the board after a significant portion of the change order work was completed.

Recommendation:

The SLBPC:

A. Retain an independent, qualified person or firm to perform construction management duties.

B. Monitor future construction change orders to ensure that project overruns remain within contractual limits.

Status:

Implemented.

7. Record Retention

During our review of the SLBPC, we noted various records which were not available for our review, due to purging of documents after the thirteen month retention period.

Recommendation

The SLBPC review the record retention policy and revise the policy to meet the requirements of the Missouri Municipal Records Manual.

Status

Not implemented. See MAR No. 10.

8. Unclaimed Property Distribution

During the two years ended June 30, 1993, the SLBPC distributed $90,201 of unclaimed cash and proceeds from the sale of unclaimed property to the St. Louis Police Relief Association. The commander of the Laboratory Division, which stores unclaimed property, estimated at least ninety percent of unclaimed property is seized property.

Recommendation:

The SLBPC dispose of unclaimed seized property in accordance with Section 542.301.1(5), RSMO Supp. 1993.

Status:

Partially implemented. A court decision ruled that these monies could be turned over to the Relief Association at the discretion of the SLBPC.

9. Bond Collection Procedures and Records

A. Standard record-keeping procedures for city ordinance bonds had not been developed at the area command centers. In addition, the numerical sequence of bond forms was not accounted for by the area command centers.

B. There was a lack of segregation of duties related to the fugitive bond account.

Recommendation:

The SLBPC:

A. Develop departmentwide standard record keeping procedures for city ordinance bond receipt forms so that city ordinance bond receipts forms are issued and filed in numerical sequence, the sequence is accounted for, receipt numbers are recorded on the bond logs, and receipts are agreed to transmittals.

B. Adequately segregate the duties regarding the fugitive bond account. At a minimum, an independent supervisory review of the bank reconciliations and checks issued should be performed.

Status:

A. Not implemented. See MAR No. 5.

B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

ST. LOUIS BOARD OF POLICE COMMISSIONERS
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The St. Louis Board of Police Commissioners was established by an act of the legislature in 1861 to provide law enforcement protection to the citizens of the city of St. Louis. The board operates under the provisions of Sections 84.010 to 84.340, inclusive, RSMo 1994.

The Board of Police Commissioners consists of five members. The governor, with the consent of the Senate, appoints four commissioners who, with the mayor of the city of St. Louis as an ex officio member, control the operations of the St. Louis Police Department. The board members are appointed for a term of four years. The police property, as well as the Police Department itself, is subject to the rules and orders of the Board of Police Commissioners.

The members of the Board of Police Commissioners at June 30, 1998, were:

Member	Term Expires
Colonel Anne-Marie Clarke, President **	January 1, 1997 *
Colonel Robert T. Haar, Vice President **	January 1, 1998 *
Colonel Wayman F. Smith III, Treasurer	January 1, 2000
Colonel Jeffrey Jamieson, Purchasing Member	January 1, 1999
Mayor Clarence Harmon, Ex Officio Member	April 15, 2001

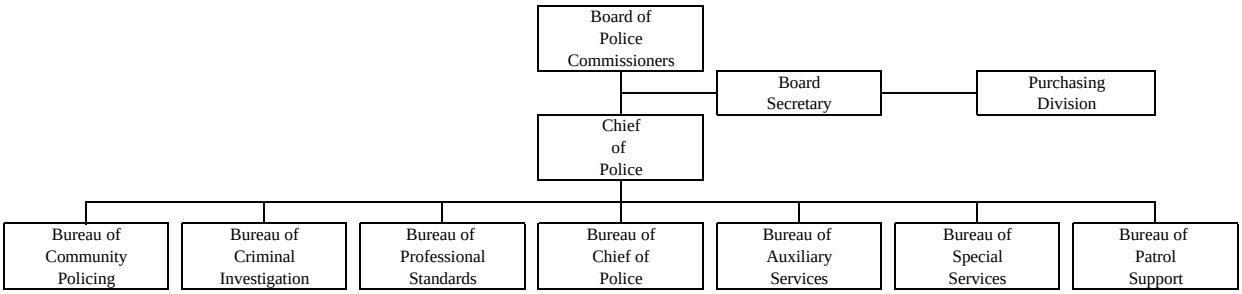
* Commission member continued to serve until a replacement was named.

** On November 18, 1998, Leslie F. Bond Sr., M.D. and Edward M. Roth were appointed to fill these positions on the board. Subsequent to these appointments, Colonel Smith was elected board president, Colonel Jamieson was elected board vice president, Colonel Bond was elected board treasurer, and Colonel Roth was elected board purchasing member.

Colonel Ronald Henderson has been the Chief of Police since December 9, 1995.

An organization chart follows.

ST. LOUIS BOARD OF POLICE COMMISSIONERS
ORGANIZATION CHART
JUNE 30, 1998



Appendix A

ST. LOUIS BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET BASIS

	Year Ended June 30,				
	1998	1997	1996	1995	1994
PERSONAL SERVICE					
Salaries	$ 83,122,591	80,083,830	76,447,876	78,042,958	69,330,955
Fringe benefits	8,101,983	7,353,936	7,699,301	7,835,982	7,736,985
Workers' compensation	804,066	874,991	1,650,087	639,050	1,422,270
Total Personal Service	92,028,640	88,312,757	85,797,264	86,517,990	78,490,210
EXPENSE AND EQUIPMENT					
Supplies and materials	3,271,383	3,543,875	2,959,547	2,992,673	2,513,395
Equipment	2,320,551	1,978,531	1,526,872	1,257,150	2,142,192
Contracted services	6,493,722	6,841,315	6,726,952	5,769,542	6,042,182
Fixed and miscellaneous	596,390	636,273	537,874	440,546	373,390
Debt service - capital lease obligations	222,538	130,224	70,819	432,106	2,077,005
Total Expenses and Equipment	12,904,584	13,130,218	11,822,064	10,892,017	13,148,164
Total Expenditures	$ 104,933,224	101,442,975	97,619,328	97,410,007	91,638,374

Appendix B

ST. LOUIS BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF SPECIAL REVENUE FUND AND EXPENDABLE TRUST FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Year Ended June 30,				
	1998	1997	1996	1995	1994
REVENUES:					
Grants and contracts	$ 5,210,248	2,958,317	3,326,425	2,862,388	2,283,000
Asset forfeitures	1,371,539	1,369,243	852,117	1,752,570	1,151,118
Interest	311,524	397,398	418,548	470,168	163,354
From the City of St. Louis	0	32,507	0	0	0
Miscellaneous	375,000	349,000	384,000	664,000	490,749
Total Revenues	7,268,311	5,106,465	4,981,090	5,749,126	4,088,221
EXPENDITURES:					
Salaries and benefits	3,006,726	2,070,702	1,924,362	1,864,185	1,788,416
Supplies and materials	539,685	304,889	387,451	791,384	394,590
Contracted services	2,122,723	598,308	866,770	428,232	742,452
Fixed and miscellaneous	347,485	663,916	864,658	303,566	410,773
Capital outlay	1,420,320	720,909	2,115,175	1,755,932	656,753
Total Expenditures	7,436,939	4,358,724	6,158,416	5,143,299	3,992,984
Revenues over (under) expenditures	-168,628	747,741	-1,177,326	605,827	95,237
OVER FINANCING (USES) SOURCES:					
Interfund operating transfers, net	0	0	35,021	-291	983,438
Proceeds from the sale of fixed assets	0	0	0	0	16,000
Total other financing sources, net	0	0	35,021	-291	999,438
Revenues and other financing sources over expenditures and other financing uses	-168,628	747,741	-1,142,305	605,536	1,094,675
FUND BALANCES:					
Beginning of year	5,469,082	4,721,341	5,863,646	5,258,110	4,163,435
End of year	$ 5,300,454	5,469,082	4,721,341	5,863,646	5,258,110

This schedule includes the revenues and expenditures generally referred as the Secretary's Account which is held by the SLBPC and special revenue accounts held by the city. The expenditures relating to asset forfeitures monies are also included on Appendix C.

Appendix C

ST. LOUIS BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF ASSET FORFEITURES EXPENDITURES

	Year Ended June 30,				
	1998	1997	1996	1995	1994
Travel and training	$ 26,180	94,707	129,206	50,001	74,277
Communications and computers	280,917	180,142	220,241	285,353	269,078
Firearms, weapons, and body armor	397,241	59,329	82,964	118,890	180,570
Electronic surveillance equipment	48,793	45,393	941	31,423	22,629
Building and improvements	0	151,534	10,299	12,130	146,230
Other law enforcement expenses	291,683	387,703	1,838,761	494,810	232,014
Transfers	104,395	0	0	0	0
Total Expenditures	$ 1,149,209	918,808	2,282,412	992,607	924,798

Appendix D

ST. LOUIS BOARD OF POLICE COMMISSIONERS
COMPARATIVE SCHEDULE OF EXPENDABLE TRUST FUND CASH AND INVESTMENTS

	Year Ended June 30,				
	1998	1997	1996	1995	1994
Cash and cash equivalents:					
Restricted - held by fiscal agent	$ 7,716,079	6,968,233	6,342,957	6,048,285	214,710
Unrestricted	0	0	0	0	5,207,128
Investments - restricted - held by fiscal agent	123,932	0 218,193	0 170,395	0 228,395	0 631,395
Total Cash and Investments	$ 7,840,011	7,186,426	6,513,352	6,276,680	6,053,233

* * * * *

AUDIT REPORT

MISSOURI DEPARTMENT OF CONSERVATION

TWO YEARS ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-24
April 15, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

The following problems were discovered in Missouri's Department of Conservation as a result of an audit conducted by our office. During our audit, we identified certain management practices which we believe could be improved.

The Department of Conservation maintains a fleet of three planes and one helicopter. The department's flight logs indicate the pilot, a general purpose category, total flying time, the name of a passenger or observer, and miscellaneous remarks such as route taken. **However, as noted in our last four reports,** the flight logs do not list the names of all passengers. As a result, the department cannot be assured all passengers on the plane are either department personnel or approved non-department personnel. In addition, the public cannot determine whether or not the purpose of the flight was appropriate.

Pilots complete a flight manifest for each flight which lists each passenger; however, for some unexplained reason, this report is destroyed after the flight is completed. The department indicated that maintaining documentation of the names of all passengers is not necessary and that the current procedures are adequate since it has several internal levels of review to ensure the planes and helicopter are used only for official purposes.

In response to this audit, the Department of Conservation has only agreed to review their travel policies, and has declined to permanently adopt our recommendations at this time. Since the failure to document passengers on aircraft, paid for with tax dollars, has been pointed out to the department in audits conducted in 1990, 1992, 1994, 1996 and now 1998, *a period spanning more than a decade*, we will follow up with another audit of the department on this issue within the next 12 months to see whether or not they permanently adopt our recommendations.

Furthermore, the department requires employees to compare the cost of commercial flights to the cost of using department planes. Department employees have indicated that this comparison is now documented and maintained for most out of state flights. However, during our review, we noted several flights to out of state destinations for which documentation of the cost comparison could not be located. Failure to obtain cost comparisons may result in the department paying more than necessary.

For example, the department periodically charters flights rather than using department planes. During our review, we noted that in August 1996, two Conservation Commissioners flew a charter flight from St. Joseph, Missouri to Boise, Idaho at a approximate cost to the department of $9,600. Cost comparisons for this flight were not documented. While the commercial rate of this flight in 1996 was not available, the Office of Administration Flight Operations indicated its rate would have cost approximately $5,500. The department now says it will implement cost comparisons.

-over-

Another concern regarding fiscal accountability is raised in regard to the Department of Conservation's Clothing Allowance Reimbursement. Last year the department provided $100 for signature clothing on a reimbursement only basis to employees who were not required to wear uniforms. This year they have decided to give everyone $100 and require no documentation that clothing was purchased. These payments totaled $39,200 for the period July 1, 1998 through November 30, 1998.

If the department believes it is necessary and beneficial to provide signature clothing that employees may wear only occasionally, the employees should be required to purchase signature clothing with the clothing allowance, were the clothing at designated events, and provide documentation to support such purchases.

It is essential that departments which receive earmarked taxes remain as vigilant, as all other departments of government that receive their funding through general revenue, in demonstrating to the public that tax dollars are being spent appropriately.

MISSOURI DEPARTMENT OF CONSERVATION

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Mel Carnahan, Governor
and
Conservation Commission
and
Jerry Conley, Director
Missouri Department of Conservation
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the Conservation Commission Fund of the Missouri Department of Conservation as of and for the years ended June 30, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, other financing uses, and changes in cash and investments and the appropriations and expenditures of the Conservation Commission Fund of the Missouri Department of Conservation and are not intended to be a complete presentation of the financial position and results of operations of the department.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Missouri Department of Conservation has included such disclosures in Note 5. Because of the unprecedented

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nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Missouri Department of Conservation's disclosures with respect to the year 2000 issue made in Note 5. Further, we do not provide assurance that the Missouri Department of Conservation is or will be year 2000 ready, that the Missouri Department of Conservation's remediation efforts will be successful in whole or in part, or that parties with which the Missouri Department of Conservation does business will be year 2000 ready.

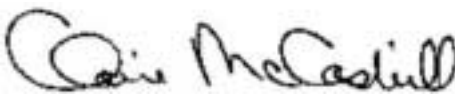
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, other financing uses, and changes in cash and investments and the appropriations and expenditures of the Conservation Commission Fund of the Missouri Department of Conservation as of and for the years ended June 30, 1998 and 1997, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 5, 1998, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the department's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill
State Auditor

November 5, 1998 (fieldwork completion date)

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Mel Carnahan, Governor
and
Conservation Commission
and
Jerry Conley, Director
Missouri Department of Conservation
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Missouri Department of Conservation as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated November 5, 1998. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Missouri Department of Conservation are free of material misstatement, we performed tests of the department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted an instance of other noncompliance which is presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Missouri Department of Conservation, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

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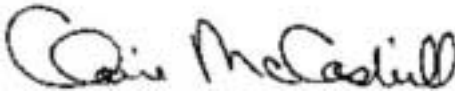
financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Missouri Department of Conservation and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

November 5, 1998 (fieldwork completion date)

Financial Statements

Exhibit A
MISSOURI DEPARTMENT OF CONSERVATION
CONSERVATION COMMISSION FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING USES, AND CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,	
	1998	1997
RECEIPTS		
Sales and use tax	$ 78,385,982	75,372,031
Permit sales	19,831,777	27,136,008
Sales, rentals, and leases	5,981,168	5,616,967
Federal reimbursements	17,588,840	11,518,329
Interest	875,167	1,490,728
Donations, refunds, and miscellaneous	2,436,566	1,387,168
Total Receipts	125,099,500	122,521,231
DISBURSEMENTS		
Personal service	52,897,887	49,669,140
Employee fringe benefits	13,093,075	12,201,106
Operations	37,437,058	45,386,120
Capital improvements and acquisitions	28,118,931	21,984,445
Total Disbursements	131,546,951	129,240,811
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES	-6,447,451	-6,719,580
OTHER FINANCING USES		
Appropriations exercised by other state agencies (Note 4)	-1,002,438	-854,209
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES	-7,449,889	-7,573,789
CASH AND INVESTMENTS, JULY 1	21,947,916	29,521,705
CASH AND INVESTMENTS, JUNE 30	$ 14,498,027	21,947,916

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B
MISSOURI DEPARTMENT OF CONSERVATION
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1998			1997		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
Personal service and expense and equipment including refunds; and for payments to counties for the unimproved value of the land in lieu of property taxes for privately owned lands acquired by the Conservation Commission after July 1, 1977 and for lands classified as forest croplands	$ 111,328,095	89,596,427	21,731,668	102,072,285	99,544,031	2,528,254
Stream access acquisition and development, lake site acquisition and development, land acquisition for upland wildlife and state forests, land purchases for wildlife and natural areas; major improvements and repairs (including materials, supplies and labor) to buildings, roads, hatcheries, and other departmental structures; and for soil conservation activities and erosion control on departmental land	50,000,000	17,537,080	32,462,920	36,122,159	32,925,237	3,196,922
Total	$ 161,328,095	107,133,507	54,194,588	138,194,444	132,469,268	5,725,176

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule 1

MISSOURI DEPARTMENT OF CONSERVATION
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	1998	1997	1996	1995	1994
PERSONAL SERVICE	$ 56,046,285	53,028,331	49,076,148	46,497,078	44,032,505
OPERATIONS					
Travel and vehicle expense:					
In-state travel	1,778,085	2,177,659	2,016,192	1,703,774	1,500,083
Operating and maintenance supplies - transportation vehicles	2,029,379	2,271,988	2,183,466	1,871,233	1,591,437
Other	1,074,019	1,222,614	1,246,093	1,272,272	1,319,035
Transportation equipment purchase	1,319,114	5,765,702	4,307,353	4,060,108	3,183,985
Office expense:					
Printing and binding	1,445,254	2,401,789	1,966,789	2,031,175	1,953,761
Printing and photography supplies	1,038,119	1,035,680	989,799	923,082	845,728
Other	859,035	1,163,823	990,360	890,626	891,516
Office and communication equipment purchase	232,881	520,398	361,051	331,629	429,843
Communication expense:					
Postage	1,299,098	1,440,460	1,429,598	1,246,743	1,116,361
Telephone	971,831	732,089	599,127	568,828	529,207
Other	94,790	44,481	26,398	47,317	25,273
Institution and physical plant:					
Electricity	854,480	883,477	761,058	722,978	690,440
Maintenance services - buildings and grounds	578,232	706,238	519,808	421,652	394,097
Other operating and maintenance supplies	876,323	985,184	600,322	317,995	202,965
Maintenance supplies - buildings and grounds	507,078	944,942	729,668	868,874	845,361
Agriculture supplies	1,541,867	2,126,937	1,599,348	1,428,432	1,425,854
Other techinical and specialized supplies	859,225	1,630,738	1,126,167	836,900	683,919
Building and land rental	570,930	357,569	312,460	287,169	263,987
Clothing and uniform allowance	669,368	361,034	359,588	348,928	367,731
Other mechanical equipment maintenance and repair	342,249	412,322	383,267	449,306	403,245
Other	608,970	906,145	895,736	768,386	757,645
Purchases	917,904	2,583,770	2,411,670	1,699,734	1,664,826
Data processing expense and equipment	2,881,500	4,478,512	4,777,873	1,713,664	1,789,096
Professional services	5,794,385	6,207,703	4,680,220	3,480,610	2,921,354
Payments in lieu of taxes	945,358	934,888	924,798	903,019	877,978
Other expense	2,544,563	3,803,958	2,357,861	2,211,078	2,406,407
Total Operations	32,634,037	46,100,100	38,556,070	31,405,512	29,081,134
CAPITAL IMPROVEMENTS					

Land acquisition	3,963,906	14,450,958	5,763,442	6,816,646	5,063,591
New building construction	8,258,900	6,605,924	1,089,397	3,136,196	3,200,332
Repairs and improvements	4,884,113	10,964,407	9,325,495	17,368,109	2,943,237
Professional services	301,792	831,014	736,532	1,447,649	372,012
Total Capital Improvements	17,408,711	32,852,303	16,914,866	28,768,600	11,579,172
CONSERVATION RESERVE PAYMENTS	1,044,474	488,534	217,258	243,365	329,430
Total Expenditures	$ 107,133,507	132,469,268	104,764,342	106,914,555	85,022,241

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 2

MISSOURI DEPARTMENT OF CONSERVATION
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
TWO YEARS ENDED JUNE 30, 1998

	Equipment	Buildings	Land	Construction in Progress	Total General Fixed Assets
BALANCE, June 30, 1996	$ 53,441,789	47,866,416	254,492,500	1,555,774	357,356,479
Additions	10,521,682	2,058,166	15,159,489	2,861,781	30,601,118
Dispositions	3,650,302	319,345	192,937	1,371,545	5,534,129
BALANCE, June 30, 1997	60,313,169	49,605,237	269,459,052	3,046,010	382,423,468
Additions	4,478,254	1,216,335	19,543,949	9,578,838	34,817,376
Dispositions	3,687,415	477,271	522,877	1,068,998	5,756,561
BALANCE, June 30, 1998	$ 61,104,008	50,344,301	288,480,124	11,555,850	411,484,283

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 3-A

MISSOURI DEPARTMENT OF CONSERVATION
STATEMENT OF CHANGES IN LAND BY COUNTY
YEAR ENDED JUNE 30, 1998

	Balance, June 30, 1997		Corrections (Note 7)		Acquisitions		Dispositions		Balance, June 30, 1998	
County	Total Cost	Number o Acres	Total Cost	Number of Acres	Total Cost	Number of Acres	Total Cost	Number o Acres	Total Cost	Number of Acres
Adair	$ 1374054	6696	$ 0	0	$ 32745.11	158	$ 55472	436	$ 1351327.1	6418
Andrew	3670787	5652.51	0	0	115843	155	0	0	3786630	5807.51
Atchison	1113104	3401	0	0	5	0	0	0	1113109	3401
Audrain	564943	2001	0	0	0	0	0	0	564943	2001
Barry	1131470	4151	0	0	0	0	0	0	1131470	4151
Barton	4244169	7152	0	0	65012	96.4	0	0	4309181	7248.4
Bates	4605054	5810	0	0	0	0	0	0	4605054	5810
Benton	1370550	4055	0	0	192534	281	0	0	1563084	4336
Bollinger	2357799	13373.1	0	0	5309	0	0	0	2363108	13373.1
Boone	7529131.2	9496.83	0	0	446190	54	0	0	7975321.2	9550.83
Buchanan	2584498	3988	0	0	99732	82	1045	1	2683185	4069
Butler	6894758	12687	0	0	37775	38	0	0	6932533	12725
Caldwell	572224.42	1770.51	2217	6	66	0	2217	6	572290.42	1770.51
Callaway	3637546.8	6853.43	0	0	0	0	0	0	3637546.8	6853.43
Camden	1429823	2687	0	0	27774	8	0	0	1457597	2695
Cape Girardeau	1888997	3369	0	0	0	0	1825	1	1887172	3368
Carroll	2374385	4007	0	0	150	0	0	0	2374535	4007
Carter	284473	24370	0	0	0	0	0	0	284473	24370
Cass	3797161	5450	0	0	0	0	0	0	3797161	5450
Cedar	244889	865	0	0	0	0	0	0	244889	865
Chariton	378146	841.06	0	0	1171	0	0	0	379317	841.06
Christian	1522111	2935	0	0	6158	0	2162	4	1526107	2931
Clark	2452430	6364	0	0	0	0	0	0	2452430	6364
Clay	1708293	1555.5	0	0	87429	77	0	0	1795722	1632.5
Clinton	44811	25	0	0	0	0	0	0	44811	25
Cole	2429704.6	4782.11	0	0	99	0	0	0	2429803.6	4782.11
Cooper	3501637	5376	0	0	219466	345	218972	289	3502131	5432
Crawford	775255	10813.6	0	0	0	0	1	0	775254	10813.6
Dade	567026	1294	0	0	0	0	0	0	567026	1294
Dallas	2516359.3	8341.71	0	0	0	0	0	0	2516359.3	8341.71
Daviess	176136	933	0	0	0	0	0	0	176136	933
Dekalb	1991878	4168	0	0	0	0	0	0	1991878	4168
Dent	1458242	17514.61	0	0	90302	120	0	0	1548544	17634.61
Douglas	612926	2163	0	0	4686	0	0	0	617612	2163
Dunklin	3364925	6755	0	0	0	0	0	0	3364925	6755
Franklin	3553526	9741	0	0	1245	8	0	0	3554771	9749
Gasconade	564123	1504	0	0	0	0	0	0	564123	1504
Gentry	770978	2089	0	0	0	0	0	0	770978	2089
Greene	3489482	4080	0	0	0	0	1606	1	3487876	4079
Grundy	3735	3	0	0	0	0	0	0	3735	3
Harrison	1630523	4513	0	0	27977	54	0	0	1658500	4567
Henry	422763	2465	0	0	0	0	0	0	422763	2465
Hickory	505037	2177	0	0	269323	533	0	0	774360	2710
Holt	11212603	9660	0	0	311916	392	0	0	11524519	10052
Howard	5186703.8	7822.81	0	0	12	0	0	0	5186715.8	7822.81
Howell	1835959	7612	0	0	0	0	206	5	1835753	7607
Iron	950404	8599	0	0	44211	196	0	0	994615	8795
Jackson	5771256	4310	0	0	717555	34	0	0	6488811	4344
Jasper	9374	13	0	0	0	0	0	0	9374	13
Jefferson	2303627	2174	0	0	375	0	0	0	2304002	2174
Johnson	1784695	4454	0	0	0	0	0	0	1784695	4454
Knox	492013	1275	0	0	0	0	0	0	492013	1275
Laclede	123122	1670	0	0	1004	0	0	0	124126	1670
Lafayette	1403836.9	2319	0	0	21	0	0	0	1403857.9	2319
Lawrence	3922074	5045	0	0	0	0	0	0	3922074	5045
Lewis	1346232.2	7399.73	0	0	4497	11	1892	11	1348837.2	7399.73
Lincoln	3257421	5410.048	0	0	452	2	0	0	3257873	5412.048
Linn	2688293	6484	0	0	0	0	0	0	2688293	6484
Livingston	3406666	8048	0	0	2493	0	0	0	3409159	8048
McDonald	401171	3160	0	0	32249	80	0	0	433420	3240
Macon	1227387.8	4777.9	0	0	0	0	0	0	1227387.8	4777.9
Madison	1644186	2786.09	0	0	6210	0	0	0	1650396	2786.09
Maries	514786	2383	0	0	0	0	0	0	514786	2383
Marion	650862	1247	0	0	5	0	0	0	650867	1247
Mercer	741605	2265.8	0	0	1315	0	0	0	742920	2265.8
Miller	2206026	5416.34	0	0	0	0	0	0	2206026	5416.34
Mississippi	7322525.2	5292.37	0	0	6625	2	0	0	7329150.2	5294.37

Moniteau	2535888.3	3826.59	0	0	0	0	0	0	2535888.3	3826.59
Monroe	103759	277	0	0	0	0	0	0	103759	277
Montgomery	1189351	3751	0	0	5000	8	5998	4	1188353	3755
Morgan	1794919.2	2270.976	0	0	0	0	13893	40	1781026.2	2230.976
New Madrid	5535537	6315	0	0	0	0	0	0	5535537	6315
Newton	1724655	4105	0	0	2100	0	0	0	1726755	4105
Nodaway	2222047	5370	0	0	0	0	0	0	2222047	5370
Oregon	286261	504	0	0	8546	8	0	0	294807	512
Osage	1584997	3147	0	0	0	0	0	0	1584997	3147
Ozark	686658	8175	0	0	0	0	0	0	686658	8175
Pemiscot	1476990	2246	0	0	0	0	0	0	1476990	2246
Perry	672041	1728	0	0	990	0	0	0	673031	1728
Pettis	1161615	2223	0	0	0	0	0	0	1161615	2223
Phelps	678324	3085	0	0	1620	0	0	0	679944	3085
Pike	1531308	7111	0	0	9028	7	0	0	1540336	7118
Platte	4421868	3846.2	0	0	1376	13	0	0	4423244	3859.2
Polk	25279	1445	0	0	0	0	0	0	25279	1445
Pulaski	328194	464	0	0	0	0	91618	102	236576	362
Putnam	2347148	5127	0	0	0	0	0	0	2347148	5127
Ralls	100711	936	0	0	0	0	0	0	100711	936
Randolph	127357	2257	0	0	0	0	0	0	127357	2257
Ray	1868597	2167	0	0	0	0	0	0	1868597	2167
Reynolds	413684.15	37722.2	0	0	491	1	0	1	414175.15	37722.2
Ripley	1114124	8367.11	0	0	3240	0	0	0	1117364	8367.11
St. Charles	15214303	18596	0	0	149736	702	0	0	15364039	19298
St. Clair	1344838.8	7150.8	0	0	0	0	0	0	1344838.8	7150.8
St. Francois	497789	980	0	0	0	0	0	0	497789	980
Ste. Genevieve	982223.5	2088	0	0	0	0	2163	80	980060.5	2008
St. Louis	12649017	7260.78	500	0	10881287	4328	0	0	23530804	11588.78
Saline	9175140.3	8700	0	0	0	0	0	0	9175140.3	8700
Schuyler	506654	1129	0	0	0	0	0	0	506654	1129
Scotland	1541073	3751	0	0	31413	63	0	0	1572486	3814
Scott	1022799	1224	0	0	51612	70	0	0	1074411	1294
Shannon	10726183	136284	0	0	11004	129	1456	11	10735731	136402
Shelby	555804.8	2184	0	0	91841	80	90000	80	557645.8	2184
Stoddard	7272900	10566	0	0	0	0	0	0	7272900	10566
Stone	1506506.5	1622.05	0	0	6210	0	0	0	1512716.5	1622.05
Sullivan	3212554	9095	0	0	56643	291	26210	160	3242987	9226
Taney	2828153	5952	0	0	0	0	0	0	2828153	5952
Texas	2730183.5	13458.88	0	0	0	0	0	0	2730183.5	13458.88
Vernon	8966944.2	17904	0	0	5297515	6975	0	0	14264459	24879
Warren	1648210	7820	0	0	2100	0	0	0	1650310	7820
Washingtom	2359359.5	10627.81	0	0	63416	120	0	0	2422775.5	10747.81
Wayne	1559830	19935	0	0	0	0	8	2	1559822	19933
Webster	220299	1744	0	0	0	0	0	0	220299	1744
Worth	1696876	3173	0	0	0	0	0	0	1696876	3173
Wright	797407	1965	0	0	0	0	0	0	797407	1965
Total $	269459052	747569.5	$ 2717	6	$ 19535099	15521.4	$ 516744	1234	$ 288480124	761862.9

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 3-B

MISSOURI DEPARTMENT OF CONSERVATION
STATEMENT OF CHANGES IN LAND BY COUNTY
YEAR ENDED JUNE 30, 1997

	Balance, June 30, 1996		Corrections (Note 7)		Acquisitions		Dispositions		Balance, June 30, 1997	
County	Total Cost	Number Acres	Total Cost	Number Acres	Total Cost	Number of Acres	Total Cost	Number of Acres	Total Cost	Number of Acres
Adair	$ 1374054	6696	$ 0	0	$ 0	0	$ 0	0	$ 1374054	6696
Andrew	3405159	5265	0	0	265628	387.51	0	0	3670787	5652.51
Atchison	1113104	3401	0	0	0	0	0	0	1113104	3401
Audrain	564943	2001	0	0	0	0	0	0	564943	2001
Barry	1131470	4151	0	0	0	0	0	0	1131470	4151
Barton	4060299	6892	0	0	183870	260	0	0	4244169	7152
Bates	4605054	5810	0	0	0	0	0	0	4605054	5810
Benton	1370550	4055	0	0	0	0	0	0	1370550	4055
Bollinger	2163493	13467	0	0	210913.91	303.84	16608	397.74	2357798.98	13373.1
Boone	6937790	8924	0	0	592488.27	573.85	1147.1	1.02	7529131.22	9496.83
Buchanan	2584498	3988	0	0	0	0	0	0	2584498	3988
Butler	6894758	12687	0	0	0	0	0	0	6894758	12687
Caldwell	571975	1773	0	0	3182.75	3.23	2933.3	5.72	572224.42	1770.51
Callaway	3088575	6122	0	0	548971.75	731.43	0	0	3637546.75	6853.43
Camden	1429823	2687	0	0	0	0	0	0	1429823	2687
Cape Girardeau	1888997	3369	0	0	0	0	0	0	1888997	3369
Carroll	2374385	4007	0	0	0	0	0	0	2374385	4007
Carter	284473	24370	0	0	0	0	0	0	284473	24370
Cass	3797161	5450	0	0	0	0	0	0	3797161	5450
Cedar	244889	865	0	0	0	0	0	0	244889	865
Chariton	354107	807	0	0	24039	34.06	0	0	378146	841.06
Christian	1245752	2550	0	0	276359	385	0	0	1522111	2935
Clark	2452430	6364	0	0	0	0	0	0	2452430	6364
Clay	1592806	1374	0	0	115487	181.5	0	0	1708293	1555.5
Clinton	44811	25	0	0	0	0	0	0	44811	25
Cole	1731208	1845	-5750	-25	704246.56	2962.11	0	0	2429704.56	4782.11
Cooper	3501637	5376	0	0	0	0	0	0	3501637	5376
Crawford	805951	11012	0	0	1304	1.6	32000	200	775255	10813.6
Dade	566557	1373	0	0	38981	4	38512	83	567026	1294
Dallas	2035534	7487	0	0	480825.3	854.71	0	0	2516359.3	8341.71
Daviess	176136	933	0	0	0	0	0	0	176136	933
Dekalb	1991878	4168	0	0	0	0	0	0	1991878	4168
Dent	1299598	17113	0	0	158644	401.61	0	0	1458242	17514.61
Douglas	512926	1883	0	0	100000	280	0	0	612926	2163
Dunklin	3364925	6755	0	0	0	0	0	0	3364925	6755
Franklin	3553526	9741	0	0	0	0	0	0	3553526	9741
Gasconade	564123	1504	0	0	0	0	0	0	564123	1504
Gentry	770978	2089	0	0	0	0	0	0	770978	2089
Greene	3489482	4080	0	0	0	0	0	0	3489482	4080
Grundy	3735	3	0	0	0	0	0	0	3735	3
Harrison	1582437	4393	0	0	48086	120	0	0	1630523	4513
Henry	422763	2465	0	0	0	0	0	0	422763	2465
::										
Hickory	505037	2177	0	0	0	0	0	0	505037	2177
Holt	11212603	9660	0	0	0	0	0	0	11212603	9660
Howard	4232847	5690	0	0	953856.75	2132.81	0	0	5186703.75	7822.81
Howell	1835959	7612	0	0	0	0	0	0	1835959	7612
Iron	932804	8519	0	0	17600	80	0	0	950404	8599
Jackson	5771256	4310	0	0	0	0	0	0	5771256	4310
Jasper	9374	13	0	0	0	0	0	0	9374	13
Jefferson	2303627	2174	0	0	0	0	0	0	2303627	2174
Johnson	1784695	4454	0	0	0	0	0	0	1784695	4454
Knox	492013	1275	0	0	0	0	0	0	492013	1275
Laclede	123122	1670	0	0	0	0	0	0	123122	1670

Lafayette	1145012	2054	0	0	258824.88	265	0	0	1403836.88	2319
Lawrence	3922074	5045	0	0	0	0	0	0	3922074	5045
Lewis	463796	5199	0	0	882436.2	2200.73	0	0	1346232.2	7399.73
Lincoln	3255921	5410	0	0	1500	0.048	0	0	3257421	5410.048
Linn	2688293	6484	0	0	0	0	0	0	2688293	6484
Livingston	3406666	8048	0	0	0	0	0	0	3406666	8048
McDonald	401171	3160	0	0	0	0	0	0	401171	3160
Macon	1208797	4754	0	0	18590.75	23.9	0	0	1227387.75	4777.9
Madison	1514233	2349	0	0	129953	437.09	0	0	1644186	2786.09
Maries	514786	2383	0	0	0	0	0	0	514786	2383
Marion	650862	1247	0	0	0	0	0	0	650862	1247
Mercer	719605	2230	0	0	22000	35.8	0	0	741605	2265.8
Miller	2150750	5307	0	0	55495.3	110.36	219.3	1.02	2206026	5416.34
Mississippi	7320385	5333	0	0	86425.81	37.37	84286	78	7322525.18	5292.37
Moniteau	2486144	3722	0	0	49744.27	104.59	0	0	2535888.27	3826.59
Monroe	103759	277	0	0	0	0	0	0	103759	277
Montgomery	1188016	3751	0	0	1335	0	0	0	1189351	3751
Morgan	1801498	2271	0	0	0	0	6578.8	0.024	1794919.18	2270.976
New Madrid	5496668	6169	0	0	38869	146	0	0	5535537	6315
Newton	967126	3264	0	0	757529	841	0	0	1724655	4105
Nodaway	2222047	5370	0	0	0	0	0	0	2222047	5370
Oregon	286261	504	0	0	0	0	0	0	286261	504
Osage	1584997	3147	0	0	0	0	0	0	1584997	3147
Ozark	686658	8175	0	0	0	0	0	0	686658	8175
Pemiscot	1476990	2246	0	0	0	0	0	0	1476990	2246
Perry	672041	1728	0	0	0	0	0	0	672041	1728
Pettis	1161615	2223	0	0	0	0	0	0	1161615	2223
Phelps	634913	2965	0	0	43411	120	0	0	678324	3085
Pike	1531308	7111	0	0	0	0	0	0	1531308	7111
Platte	3870032	3780	0	0	551836	66.2	0	0	4421868	3846.2
Polk	25279	1445	0	0	0	0	0	0	25279	1445
::										
Pulaski	328194	464	0	0	0	0	0	0	328194	464
Putnam	2347148	5127	0	0	0	0	0	0	2347148	5127
Ralls	100711	936	0	0	0	0	0	0	100711	936
Randolph	127357	2257	0	0	0	0	0	0	127357	2257
Ray	1868597	2167	0	0	0	0	0	0	1868597	2167
Reynolds	326028	37258	0	0	87656.15	464.2	0	0	413684.15	37722.2
Ripley	1058580	8129	0	0	55544	238.11	0	0	1114124	8367.11
St. Charles	15214303	18596	0	0	0	0	0	0	15214303	18596
St. Clair	1032030	6633	0	0	314608.75	529.75	1800	11.95	1344838.75	7150.8
St. Francois	497789	980	0	0	0	0	0	0	497789	980
Ste. Genevieve	981261	2088	0	0	962.5	0	0	0	982223.5	2088
St. Louis	10003961	7187	0	-3.14	2645055.7	76.92	0	0	12649016.7	7260.78
Saline	8951278	8404	0	0	223862.25	296	0	0	9175140.25	8700
Schuyler	506654	1129	0	0	0	0	0	0	506654	1129
Scotland	1541073	3751	0	0	0	0	0	0	1541073	3751
Scott	1022799	1224	0	0	0	0	0	0	1022799	1224
Shannon	10218898	134759	0	0	507375.26	1565.01	90.6	40	10726182.7	136284
Shelby	383774	2033	0	0	172030.8	151	0	0	555804.8	2184
Stoddard	7272900	10566	0	0	0	0	0	0	7272900	10566
Stone	706980	1143	0	0	799526.5	479.05	0	0	1506506.5	1622.05
Sullivan	3212554	9095	0	0	0	0	0	0	3212554	9095
Taney	2828153	5952	0	0	0	0	0	0	2828153	5952
Texas	458592	1911	0	0	2271591.5	11547.88	0	0	2730183.5	13458.88
Vernon	8897616	17784	0	0	69328.19	120	0	0	8966944.19	17904
Warren	1648210	7820	0	0	0	0	0	0	1648210	7820
Washingtom	1973113	9659	0	0	386246.5	968.81	0	0	2359359.5	10627.81
Wayne	1559575	19935	0	0	255	0	0	0	1559830	19935
Webster	220299	1744	0	0	0	0	0	0	220299	1744
Worth	1696876	3173	0	0	0	0	0	0	1696876	3173
Wright	797407	1965	0	0	0	0	0	0	797407	1965
Total	$ 254492500	717894	$ -5750	-28.14	$ 15156477	30522.078	$ 184175	818.474	$ 269459052	747569.5

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Notes to the Financial Statement
and Supplementary Data

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the Conservation Commission Fund of the Missouri Department of Conservation.

Receipts, disbursements, other financing uses, and changes in cash and investments are presented in Exhibit A for the Conservation Commission Fund. Appropriations from this fund are expended by or for the department for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related fund but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the Conservation Commission Fund. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

The Conservation Commission Fund: This fund controls the monies collected and expended by the department within the restrictions imposed by the Missouri Constitution, Article IV, Section 43(b). Appropriations are made from this fund by the General Assembly to control, manage, restore, conserve, and regulate birds, fish, game, forestry, and wildlife resources of the state and to administer the related laws.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's deferred compensation and cafeteria plans. Employees may also participate in medical benefit and life insurance plans provided for the department by the Continental Assurance Company (CNA). The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement and long-term disability benefits); social security and medicare taxes; basic life insurance; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are primarily the transfers and payments from the Conservation Commission Fund for costs related to salaries and insurance paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash and Investments

The balance of the Conservation Commission Fund is pooled with other state funds and invested by the state treasurer. Interest income is allocated to the Conservation Commission Fund on the basis of the fund's average daily balance.

Trust account monies are combined with regular monies to make up the total balance available in the Conservation Commission Fund. At June 30, 1998 and 1997, trust accounts totaled $917,332 and $861,587 respectively, and represented funds restricted for the maintenance and/or purchase of land.

The department maintains a premium stabilization fund with CNA, the department's health insurance provider. Various conditions and restrictions have been placed on the department's access to this fund. Access to this fund by the department could affect the insurance premium rates and/or funded status. The premium stabilization fund is not included in the department's cash and investments balance on Exhibit A because these funds are not available for meeting general obligations of the department.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit B as follows:

	Conservation Commission Fund Year Ended June 30,	
	1998	1997
DISBURSEMENTS PER EXHIBIT A	$ 131,546,951	129,240,811
Employee fringe benefit transfers	(9,918,648)	(9,406,007)
Lapse period expenditures:		
1998	5,653,785	N/A
1997	(20,148,581)	20,148,581
1996	0	(7,514,117)
EXPENDITURES PER EXHIBIT B	$ 107,133,507	132,469,268

4. Appropriations Exercised by Other State Agencies

The Missouri General Assembly makes certain appropriations from the Conservation Commission Fund for personal services, expense and equipment, and programs administered by other state agencies. Expenditures charged to these appropriations and transfers from the fund for associated fringe benefits during fiscal years 1998 and 1997 were:

	Year Ended June 30,	
	1998	1997
Office of Administration		
Insurance and legal expense	$ 390,965	325,134
Worker's compensation	9,458	0
Unemployment insurance	92,149	91,360
Office of State Auditor	35,022	33,422
Department of Revenue	474,844	404,293
Total	$ 1,002,438	854,209

5. Year 2000 Plan of Action

To address the Year 2000 (Y2K) issue, Information Management and Technology Section has developed and is currently implementing a plan designed to ensure that the Y2K date change will have no adverse impact on the Department of Conservation's ability to service its customers and conduct business. The department is on target to complete this project and will conduct extensive testing in 1998 and throughout 1999. It is the intent that the week of January 4, 2000 through January 8, 2000, will be "Business As Usual" for the Department of Conservation.

The department is taking a phased approach to implementing the Y2K plan. The phases are as follows:

Phase I (Inventory Phase) - Identifies all components of computer hardware, software and interfaces used by the department. Most of this work is already completed.

Phase II (Assessment Phase) - Establishes whether Y2K issues apply for each component and, if so, a plan of action is developed and a priority is assigned that ensures compliancy will be achieved in the required time frame. Much of the assessment work has been completed. A major component still not fully addressed is application software. Now that programming vacancies are being filled and staffing is being supplemented, the department hopes to address the application software issue and complete the assessment phase early in 1999.

Phase III (Remediation Phase) - Ensures appropriate actions are taken to achieve Y2K compliancy. In most cases, components will be modified, upgraded or reprogrammed. In other cases, especially where components are mission critical,

some components may have to be replaced to guarantee compliancy. Some of this work has already been completed.

Phase IV (Test Phase) - Tests all components and, where appropriate, takes final corrective actions to ensure compliancy. Although the department is doing individual component testing, the department is planning to conduct an overall systems test over the three-day Truman holiday weekend (May 7 through May 9, 1999). At that time, the clocks will be rolled forward to the year 2000 on all major infrastructure components in the Central Office and these components will be tested for Y2K compliancy.

Notes to the Supplementary Data:

6. General Fixed Assets

A. The investment in general fixed assets at June 30, 1998 and 1997 was from the following funds:

	June 30, 1998	June 30, 1997
Conservation Commission Fund	$ 410,555,728	$ 381,471,787
General Revenue Fund-State	62,884	79,048
Revenue Sharing Trust Fund	865,669	872,633
Total	$ 411,484,281	$ 382,423,468

B. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. Also not capitalized are certain improvements including hatchery pools, wetland development, and other expenditures to prepare land purchased for its intended use.

7. Statements of Changes in Land by County

Corrections on the Statement of Changes in Land by County, Schedules 3-A and 3-B, included the following:

A. Correction of beginning balances for land purchased or sold in prior years but not recorded until the current year.

B. Increases in land values due to buildings which were acquired on the land being recorded in the current fiscal year, while the land was recorded in prior years.

C. Decreases in land values due to buildings which were acquired on the land being recorded in the current fiscal year, while the land was recorded in prior years.

The department's policy is to reduce the cost of land by the appraised value of the buildings acquired on the land. The building's appraised value is added to the building inventory. Because the department purchases land for the land only, the value of acquired buildings disposed of is added back to the land value, thus requiring the types of correcting entries in B and C above.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

MISSOURI DEPARTMENT OF CONSERVATION
SUMMARY OF FINDINGS

1. Plane Usage (pages 28-30)

   The names of all passengers and the specific purpose of the flight are not included in the flight logs. Travel cost comparisons are not always documented.

2. Clothing Allowance Reimbursement (pages 30-31)

   Clothing allowance is provided to employees who are not required to purchase signature clothing or wear the clothing at designated events.

3. Suspension and Debarment Compliance (pages 31-32)

   The department does not require contractors to certify that they have not been suspended or debarred.

MISSOURI DEPARTMENT OF CONSERVATION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Missouri Department of Conservation as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated November 5, 1998. That report expressed a qualified opinion on the special-purpose financial statements.

The following Management Advisory Report presents our finding and recommendation arising from our audit of the department's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following Management Advisory Report should not be considered as all-inclusive of areas where improvements may be needed.

1. Plane Usage

The department maintains a fleet of three planes and one helicopter which is used to transport department employees for various reasons, such as fire protection, research, transporting fish and game, or aerial photography. According to the department, approximately $500,000 is spent annually to operate its aviation program. According to department records, the cost of operating the various planes ranges from $200 to $252 per hour and the cost of operating the helicopter is $351 per hour. The department's flight logs indicate the pilot, a general purpose category, total flying time, the name of a passenger or observer, and miscellaneous remarks such as route taken, however other pertinent information needs to be documented. Our review of the flight logs revealed the following concerns:

A. As noted in our last four reports, the flight logs do not list the names of all passengers. If there are two passengers, a notation of one passenger's name will be included on the log, but the additional passenger will be noted as +1. If there are more than two passengers, they will be noted as +2, +3, etc. As a result, the department cannot be assured all passengers on the plane are either department personnel or approved non-department personnel. In addition, the specific purpose of the flight is not documented. The flight logs include very general descriptions of the purpose of the flight. The descriptions used include transportation, enforcement, fire protection, research management, transportation of wildlife, photography, and other. To provide proper accountability to the taxpayers that the planes are only used for official state business, the names of all passengers should be documented.

Pilots complete a flight manifest for each flight which lists each passenger; however this report is destroyed after the flight is completed. The department indicated that maintaining documentation of the names of all passengers is not necessary and that

the current procedures are adequate since it has several internal levels of review to ensure the planes and helicopter are used only for official purposes. However, without adequate documentation of all passengers' names on the flight logs and the specific purpose of the flight, it is impossible for an independent reviewer or the department to ensure compliance with the current policies.

B. The department's procedures require employees to compare the cost of commercial flights to the cost of using department planes. Department employees have indicated that this comparison is now documented and maintained for most out of state flights. However, during our review, we noted several flights to out of state destinations for which documentation of the cost comparisons could not be located. Without maintaining documentation comparing the cost of commercial flights to the cost of using the department's planes, the department cannot ensure its policy is being followed.

C. The department periodically charters flights rather than using department planes. During our review, we noted that during August 1996, two department Commissioners flew a charter flight from St. Joseph, Missouri to Boise, Idaho at an approximate cost to the department of $9,600. Cost comparisons for this flight were not documented. While the commercial rate of this flight in 1996 was not available, the Office of Administration Flight Operations indicated its rate would have cost approximately $5,500.

Failure to obtain cost comparisons for charter flights may result in the department paying more than necessary.

WE RECOMMEND the department:

A. Document the names of all passengers and the specific purpose of all flights.

B. Document the comparison of the cost of commercial flights to the cost of using department planes when commercial flights are available and retain this with the flight information.

C. Obtain and document cost comparisons of charter flights to the cost of using department planes or commercial flights to ensure the most economical use of state resources.

AUDITEE'S RESPONSE

A. The Conservation Commission has instructed the staff to initiate a comprehensive review of all existing rules, regulations and policies related to Department aircraft usage. As part of this review process, the Department will retain the flight manifests, as your audit suggested. Additionally, we agree that the specific purpose of a flight should be more detailed and will initiate that change immediately. It is anticipated that this added information will assist staff

conducting the review in determining whether permanent changes in Department policies may be warranted.

B. Department procedures require comparisons between the cost of commercial flights and the cost of using Department planes. However, for some out-of-state flights, approvals were issued without a written cost comparison because the results were intuitive. It is extremely rare when four or more passengers can fly more cost effectively commercially than by Department plane.

In the future, Administrative Services will maintain cost comparison documentation on all out-of-state flights which utilize Department planes. Justification necessary for special arrangements will be documented.

C. The charter flight, which occurred in August 1996, resulted from a unique set of circumstances regarding the consideration of a candidate for the Director's position. Due to the many interested candidates within the Department, it was necessary to maintain absolute confidentiality regarding the trip. There were also many viable candidates located out-of-state, who were requiring a hiring decision within a limited time frame; therefore, time was of the essence. This flight should be viewed as a unique circumstance. This was the first time since the first Department Director was appointed in 1938 that a Director has been recruited from outside the Department. In the future, in compliance with an out-of-state air travel policy adopted by the Commission at its March meeting, the Department will perform cost comparisons for all charter flights and consider cost as one factor in making charter decisions, which are subject to the Director's approval.

2. Clothing Allowance Reimbursement

Some department employees are required to wear a uniform, including newly designed signature clothing. These employees are given an annual clothing allowance of $300 to $400 (depending on job function) to purchase their uniforms. During the year ended June 30, 1998, the department provided a $100 allowance for signature clothing on a reimbursement basis to employees who were not required to wear uniforms. To reduce the paperwork involved in tracking the reimbursements, beginning in fiscal year 1999, the department is providing a payment of $100 to each of these employees. There is no requirement that the employees purchase signature clothing or wear the clothing at designated events. These $100 payments totaled $39,200 for the period July 1, 1998 through November 30, 1998.

We surveyed two other state agencies which indicated they do not provide clothing allowances for employees who are not required to wear uniforms. One department has a catalog that provides employees the opportunity to purchase signature clothing and other items with the department logo; however, no reimbursement is provided by the department to employees not required to wear a uniform. Another agency periodically provides its employees the opportunity to purchase signature items; however, the agency does not reimburse the employees for the cost of the clothing.

Clothing reimbursements that are not for required uniforms do not appear to be a prudent and necessary expenditure of the department funds.

WE RECOMMEND the department evaluate the necessity and benefits of providing clothing allowances for employees who are not required to wear a uniform.

AUDITEE'S RESPONSE

The Department has determined that the signature clothing allowance is extremely important to the management of the Department. Such clothing readily identifies employees attending public functions or in their daily contact with the public at work. The Commission strongly believes this has been an important, positive management tool over the last two years in building Department teamwork and pride. The salaried employees receiving the partial clothing allowance are well aware that the allowance is to be spent only on signature clothing. The actual use of the allowance for signature clothing purchases is closely monitored by the supervisors of those salaried employees.

AUDITOR'S COMMENT

The department's response implies that signature clothing was purchased with the clothing allowance. However, there was no requirement that employees purchase signature clothing. In addition, the employees were not required to provide documentation to support how the clothing allowance was used. If the department believes it is necessary and beneficial to provide signature clothing that employees may wear only occasionally, the employees should be required to purchase signature clothing with the clothing allowance, wear the clothing at designated events, and provide documentation to support such purchases.

3. Suspension and Debarment Compliance

The DOC has entered into contractual agreements with several contractors to build a new hatchery as well as various boating access projects. The DOC does not require contractors to certify that they have not been suspended or debarred.

43 CFR 12.75 requires that DOC must not make any award to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance. This requirement applies to all contractors receiving individual awards of $100,000 or more and all subrecipients. Controls must be established to obtain suspension and debarment certifications from parties to ensure compliance with the federal guidelines.

WE RECOMMEND the DOC obtain certifications from parties awarded contracts of $100,000 or more that the organization and its principals are not suspended or debarred.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding. The only procurement contracts in excess of $100,000 let by the Department of Conservation which qualify for federal assistance are capital improvement construction projects. Our construction contracts will be modified to include a clause under which the contractor will certify that its organization and its principals are not suspended or debarred.

This report is intended for the information of the management of the Missouri Department of Conservation and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

MISSOURI DEPARTMENT OF CONSERVATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Missouri Department of Conservation on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended June 30, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the department should consider implementing these recommendations.

1. Protection Division Violation Tickets

The Protection Division did not account for the numerical sequence and disposition of resource and wildlife violation tickets assigned to conservation agents.

Recommendation:

The department account for the numerical sequence of all tickets assigned to conservation agents.

Status:

Partially implemented. Effective March 1, 1997, the department implemented a policy requiring completed citation books be submitted to regional supervisors. Agents are also required to provide brief explanations for all tickets not filed in court. However, the policy does not require regional supervisors to account for all tickets or verify the disposition of the tickets assigned to agents. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Plane Usage

A. The department's flight logs did not list the names of all passengers. In addition, the specific purpose of the flight was not documented.

B. Although the department's policy required employees to compare the cost of commercial flights to the cost of using department planes, the department did not require the comparison to be documented or retained with flight information.

Recommendation:

The department:

A. Document the names of all passengers and specific purpose of all flights.

B. Document the comparison of the cost of commercial flights to the cost of using department planes when commercial flights are available and retain this with the flight information. Furthermore, justification for special arrangements should also be adequately documented.

Status:

A. Not implemented. See MAR No. l.

B. Partially implemented. During fiscal year 1998, the DOC implemented a procedure to document and maintain cost comparisons, however instances were noted in which this information could not be located. See MAR No. 1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI DEPARTMENT OF CONSERVATION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

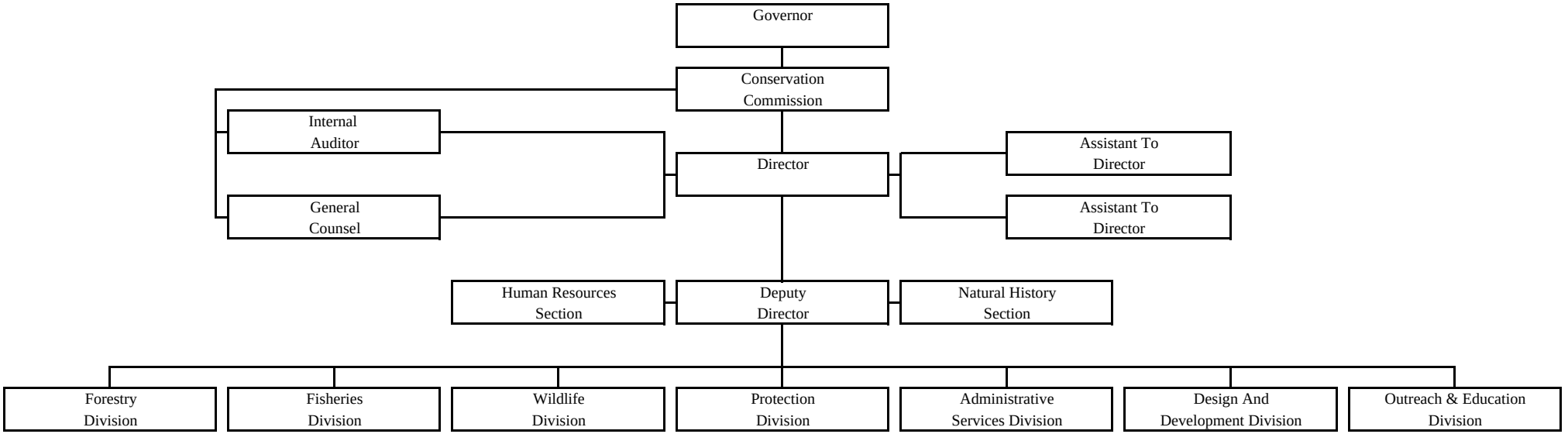
The Missouri Department of Conservation is constitutionally created pursuant to Article IV, Sections 40 and 46. The general functions of the department are to control, manage, restore, conserve, and regulate all bird, fish, game, forestry, and wildlife resources of the state. To accomplish this responsibility, the department has adopted a "Five Year Strategic Plan." This plan covers the five year period FY 1996-2000. Rather than focusing on the acquisition of new lands, as in the past, the development and delivery of programs and services to enhance private land management by landowners is a priority program emphasis during the current five year plan. At June 30, 1998, the department owned 761,863 acres of land in the state.

The department is headed by a four-member bipartisan commission, appointed by the Governor with the advice and consent of the Senate. They serve without compensation for staggered six-year terms. The Commission appoints the Director who in turn approves the employment of other employees and is the chief administrator of the department. The commission members at June 30, 1998 were:

Commissioner	Term Expires
Anita B. Gorman	June 30, 1999
Randy Herzog	July 1, 2001
Ronald J. Stites	July 1, 2001
Howard L. Wood	July 1, 2003

Jerry Conley was appointed Director effective January 1, 1997. Jerry Presley served as Director from January 1988 to December 31, 1996. The department employs approximately 1,470 full-time and 310 part-time employees.

MISSOURI DEPARTMENT OF CONSERVATION
ORGANIZATION CHART
JUNE 30, 1998



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TWENTY-FOURTH JUDICIAL CIRCUIT

ST. FRANCOIS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1997

From The Office Of State Auditor
Claire McCaskill

AUDIT REPORT

Report No. 99-23
April 13, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

The following problems, discovered as result of our office's most recent two year audit of the Twenty-Fourth Judicial Circuit in St. Francois County, Missouri, are similar to those brought to the circuit's attention eight years ago. In 1991, the State Auditor's Office pointed out concerns similar to the following problems and offered the circuit court recommendations for improvement. In some cases recommendations were implemented, if not totally at least partially; however, many of the following recommendations were not implemented.

In the Circuit Clerk's office, deposits are not made on a timely basis and checks are not restrictively endorsed immediately upon receipt. *The court says it is working to improve its procedures so that court deposits will be made more frequently. They say checks will be endorsed once the bank account that the monies are to be deposited into is determined.*

The Circuit Clerk allows employees to cash personal checks from daily receipts. We noted numerous instances where court employees were allowed to cash personal and two-party checks. For example, for one 10-day period in March 1997, thirty personal checks totaling $820 and five two-party checks totaling $188 were cashed. This practice weakens controls surrounding receipts and increase the possibility of loss or misuse of funds. *The court says it will not discontinue the practice of allowing small personal or two-party checks to be cashed from court receipts.*

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact and daily, the practice of allowing employees to cash personal or two-party checks from court receipts should be discontinued, and checks should be restrictively endorsed immediately upon receipt.

Delinquent child support payments are not adequately monitored in accordance with state law. Delinquency notices are not regularly sent out to the non-custodial parents. This process is currently being performed by the Missouri Division of Child Support Enforcement (DCSE). However, the Circuit Clerk has requested the suppression of billings by DCSE for some delinquent obligations and therefore, no such billings will be generated until the suppression is rescinded by the Circuit Clerk. *The court says it does not have the staff or money needed to monitor delinquent child support payments.*

(over)

The Associate Circuit Division does not adequately follow up on surety bonds posted by defendants who fail to make the required court appearances. We noted an instance where a surety bond was not forfeited when the defendant failed to appear on the court date. State law provides for bond forfeiture monies to be distributed to the various school districts in the county. The court's procedure results in less revenue to the school districts. *The Associate Circuit Judge responded that the court's current procedures are adequate.*

The law library custodian receives $60 a month from law library funds as compensation for maintaining the accounting records; however, a formal agreement, signed by the Circuit Judge, was not found which allowed this compensation.

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Twenty-Fourth Judicial Circuit
St. Francois County, Missouri

We have audited the accompanying special-purpose financial statements of the various funds of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, as of and for the years ended December 31, 1997 and 1996, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the various funds of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the judicial circuit.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. Such required disclosures include any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations

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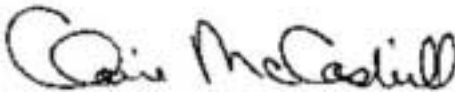
year 2000-compliant; and the additional stages of work necessary for making the computer systems and other electronic equipment year 2000 compliant. Except for disclosures provided by the Associate Circuit Judge, Division III, which are included in Note 3, the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, has omitted such disclosures. We do not provide assurance that the judicial circuit is or will be year 2000 ready, that the judicial circuit's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the judicial circuit does business will be year 2000 ready.

In our opinion, except for the effects of the omission and of such adjustments, if any, on the financial statements because of the matters discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the various funds of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, as of and for the years ended December 31, 1997 and 1996, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 25, 1998, on our consideration of the judicial circuit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, St. Francois County, and the Twenty-Fourth Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

November 25, 1998

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge and Court en banc
and
The Circuit Clerk of the
Twenty-Fourth Judicial Circuit
St. Francois County, Missouri

We have audited the special-purpose financial statements of the various funds of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, as of and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated November 25, 1998. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various funds of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various funds of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to

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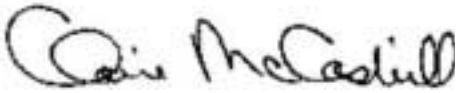
significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the judicial circuit's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

November 25, 1998

Financial Statements

Exhibit A

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

	Circuit Division Fund	Associate Circuit Division Fund	Probate Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS						
Court deposits, fees, bonds, and others	$ 1,772,018	730,379	55,859	7,691	20,936	2,586,883
Child support	4,822,877	0	0	0	0	4,822,877
Interest income	15,580	3,539	0	0	67	19,186
Total Receipts	6,610,475	733,918	55,859	7,691	21,003	#VALUE!
DISBURSEMENTS						
State of Missouri:						
Court fees	64,978	113,783	30,513	0	0	209,274
Title IV-D	577,130	0	0	0	0	577,130
County officials	81,351	252,734	10,554	0	0	344,639
Child support	4,228,270	0	0	0	0	4,228,270
Supplies and equipment	10,339	20,403	0	0	0	30,742
Refunds and other	669,864	327,946	14,698	8,026	19,594	1,040,128
Total Disbursements	5,631,932	714,866	55,765	8,026	19,594	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS	978,543	19,052	94	-335	1,409	#VALUE!
CASH, JANUARY 1	746,944	118,124	656	1,417	1,233	868,374
CASH, DECEMBER 31	$ 1,725,487	137,176	750	1,082	2,642	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1996

	Circuit Division Fund	Associate Circuit Division Fund	Probate Division Fund	Juvenile Office Fund	Law Library Fund	Total (Memorandum Only)
RECEIPTS						
Court deposits, fees, bonds, and others	$ 1,003,691	684,758	54,272	11,807	15,930	1,770,458
Child support	4,276,956	0	0	0	0	4,276,956
Interest income	9,386	3,303	0	0	39	12,728
Total Receipts	5,290,033	688,061	54,272	11,807	15,969	6,060,142
DISBURSEMENTS						
State of Missouri:						
Court fees	65,947	111,676	27,503	0	0	205,126
Title IV-D	575,423	0	0	0	0	575,423
County officials	74,207	228,084	12,745	0	0	315,036
Child support	3,679,633	0	0	0	0	3,679,633
Supplies and equipment	1,472	1,145	0	0	0	2,617
Refunds and other	328,021	309,411	13,808	11,315	16,387	678,942
Total Disbursements	4,724,703	650,316	54,056	11,315	16,387	5,456,777
RECEIPTS OVER (UNDER) DISBURSEMENTS	565,330	37,745	216	492	-418	603,365
CASH, JANUARY 1	181,614	80,379	440	925	1,651	265,009
CASH, DECEMBER 31	$ 746,944	118,124	656	1,417	1,233	868,374

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri.

Receipts, disbursements, and changes in cash are presented for the various funds administered by the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri. The operating costs of the offices within the circuit are paid directly from appropriations authorized by the County Commissions within the judicial circuit and the state of Missouri and are not included in these financial statements. The funds administered by the circuit officials located in Madison County, Ste. Genevieve County, and Washington County are reported on separately.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash for the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, includes the transactions of the Circuit Division, the Associate Circuit Division, the Probate Division, the Juvenile Office and the Law Library Fund. Each officeholder has been charged with the responsibility of administering the transactions in his or her division. The Presiding Judge’s secretary acts as the custodian of the law library and a private attorney has been appointed to serve as treasurer for the law library. The Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, administers transactions within the following funds:

Circuit Division Fund: This fund accounts for the transactions of the Circuit Clerk's office. These transactions include receipts and disbursements of the criminal, civil, child support, and interest accounts.

Associate Circuit Division Fund: This fund accounts for the transactions of the Associate Circuit Division. These transactions include receipts and disbursements of court costs, fees, fines, bonds and interest income.

Probate Division Fund: This fund accounts for the transactions of the Probate Division. These transactions include receipts and disbursements of court deposits and fees.

Juvenile Office Fund: This fund accounts for the transactions of the Juvenile Office. These transactions include receipts and disbursements of restitution payments and crisis grant monies.

Law Library Fund: This fund accounts for the transactions of the law library, including fees collected from Circuit Division deposits and the related interest income. Disbursements are legally restricted for maintenance of a law library.

2. Cash

Section 483.310, RSMo Cumulative Supp. 1998, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

The circuit court's deposits at December 31, 1997 and 1996, were entirely covered by federal depositary insurance or by collateral securities held by the court's custodial bank in the circuit court's name.

3. Year 2000 Compliance - Associate Circuit Division III

The Office of State Courts Administrator has represented to this division that all programs and equipment installed in this division by them were purchased pursuant to bids that required those programs and equipment to be Year 2000 compliant, that Office of State Courts Administrator has tested those programs and equipment and found them to in fact be Year 2000 compliant. The Judge of this division has tested these programs and equipment and found them to be Year 2000 compliant.

Based upon the above, this division is representing that the computers and programs in use in this division are Year 2000 compliant.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Circuit Clerk's Accounting Controls and Procedures (pages 17-18)

   General and criminal account receipts are not deposited timely and employees are allowed to cash personal checks from general account cash receipts. Notices of delinquent child support are not sent.

2. Associate Circuit Division Bond Procedures (pages 18-19)

   Adequate procedures regarding the forfeiture of surety bonds are not in place in the court.

3. Law Library Procedures (pages 20-21)

   There is no written approval for compensation paid to the law library custodian and perpetual inventory records are not maintained for the law library. In addition, original invoices were not maintained for disbursements made prior to June 1997.

TWENTY-FOURTH CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, as of and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated November 25, 1998. That report expressed a qualified opinion on the special-purpose financial statements.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the judicial circuit's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Circuit Clerk's Accounting Controls and Procedures

A. Receipts of the general and criminal accounts are not deposited intact and timely. Deposits are generally made once a week and, for the time periods reviewed, general account and criminal account deposits averaged more than $2,500 and $1,000, respectively. Cash is withheld from general account deposits for making change; however, the amount of cash on hand varies from day to day. We also noted numerous instances where court employees were allowed to cash personal and two-party checks. For example, for one 10-day period in March 1997, thirty personal checks totaling $820 and five two-party checks totaling $188 were cashed. Additionally, checks were not restrictively endorsed until deposits were prepared. These practices weaken controls surrounding receipts and increase the possibility of loss or misuse of funds.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact and daily, the practice of allowing employees to cash personal or two-party checks from court receipts should be discontinued, and checks should be restrictively endorsed immediately upon receipt. In addition, change funds should be kept at a set amount.

B. Delinquent child support payments are not adequately monitored. Delinquency notices are not regularly sent out to the non-custodial parents. The Circuit Clerk indicated this process is currently being performed by the state Division of Child Support Enforcement (DCSE) and is no longer the responsibility of her office. We have been informed by DCSE personnel that the division will generate and mail billings unless there is a billing suppression

request on file. DCSE records indicate the Circuit Clerk has requested the suppression of billings for non IV-D delinquent obligations and, therefore, no such billings will be generated until the suppression is rescinded by the Circuit Clerk.

Section 452.345.5, RSMo Cumulative Supp. 1998, states that if a party becomes delinquent on support payments equal to one month's total support obligation, the Circuit Clerk shall notify the obligor of the delinquency and shall advise that the obligor's income is subject to withholding for repayment of the delinquency and for payment of current support. The Circuit Clerk must also notify the obligee of the delinquency. This requirement applies to all cases except Title IV-D support cases.

Similar conditions were also noted in our prior report.

WE RECOMMEND the Circuit Clerk:

A. Deposit all receipts intact daily or when accumulated receipts exceed $100, restrictively endorse all checks immediately upon receipt, and discontinue the practice of allowing personal or two-party checks to be cashed from court receipts. Change funds should be maintained at a constant amount.

B. Implement procedures to monitor delinquent child support payments and issue delinquent notices in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. We are working to improve our procedures so that court deposits will be made more frequently. Checks will be endorsed once the bank account that the monies are to be deposited into is determined. Also, the change fund is now being maintained at a constant amount. However, we will not discontinue the practice of allowing small personal or two-party checks to be cashed from court receipts.

B. We do not have the staff or money needed to implement this recommendation. The status of child support cases change without our knowledge, thus making it difficult to make an informed decision regarding the amount of arrearage due and billings that should be sent. Also, it is the job of the state Division of Child Support Enforcement to refer delinquent child support cases to the Prosecuting Attorney's office for prosecution.

2. Associate Circuit Division Bond Procedures

The Associate Circuit Division does not adequately follow up on surety bonds posted by defendants who fail to make the required court appearances. During our review of court case files,

we noted an instance where a surety bond was not forfeited when the defendant failed to appear on the court date. This was discussed with the Associate Judge who indicated it was not his usual practice to require bonds to be forfeited. Based on discussions with court personnel, it appears few, if any, surety bonds were forfeited during the audit period.

Section 374.770, RSMo 1994, provides for the court to declare a bond forfeiture after the bail bond agent has been given an opportunity to return the defendant to the court. While we did not quantify the number of cases in which bond forfeitures were not made, the court does not have an adequate procedure in place to require bond forfeitures. If the court does not order bond forfeitures as provided by statute, the bond companies have no incentive for making sure defendants show up for court appearances. Section 166.131, RSMo 1994 provides for bond forfeiture monies to be distributed to the various school districts in the county. The court's procedure results in less revenue to the various school districts.

WE RECOMMEND the Associate Circuit Division implement adequate procedures to forfeit surety bonds when appropriate.

AUDITEE'S RESPONSE

The Associate Circuit Judge, Division III responded:

Surety bonds may be made by general or limited bail bond agents licensed by the State of Missouri and previously approved by the Judge of Division III in accordance with Missouri Supreme Court Rule 33. The bonds are always returnable on a "Law Day", a general docket call. If charges have been filed and defendant fails to appear the bond is ordered revoked and the surety thereon ordered to produce the defendant as provided by rule and statute.

A criminal case is a contested matter. Therefore, the court does not generally order a forfeiture on a bail bond until the state has filed a motion requesting same or the court thinks that the surety has not produced defendant within a reasonable time. Cases in which bail bonds are posted are automated in this division. Accordingly, there is little danger that a case where a warrant is outstanding simply languishes in a drawer with no forfeiture, because the automated system will identify these upon request.

The reason for a relative scarcity of forfeitures is that the locally approved sureties are very active in producing defendants who have failed to appear. The court's procedure in the event of a nonappearance is to notify the surety and order the surety to produce the defendant. The surety usually does in a time fashion. We believe this to be perfectly adequate.

AUDITOR'S COMMENT

The court did not produce reports of surety bonds or warrants outstanding for routine follow up. For the case discussed above, although the signed bond agreement clearly required the forfeiture of the bond for

the defendant's failure to appear, there was not evidence in the case information or court docket to indicate the surety was subsequently notified.

3. Law Library Procedures

The Presiding Judge appointed his secretary to serve as the custodian of the law library and a private attorney to act as law library treasurer. Our review of the law library noted the following concerns.

A. The law library custodian receives $60 a month from law library funds as compensation for maintaining the accounting records; however, a formal agreement, signed by a Circuit Judge, could not be found which allowed this compensation. To ensure payment of the compensation is appropriate and adequately documented, a written agreement should be prepared and retained with law library records.

B. Perpetual inventory records of the law library assets, including books and furnishings are not maintained and a physical inventory is not periodically performed. Law library books and other property items, such as furniture and shelves, purchased from law library funds for placement in the library have not been tagged or identified as property of the law library. A physical inventory should be performed annually and compared to perpetual records to properly account for all law library assets. Without the proper identification, property items could be misplaced, lost, or stolen.

C. During our review we noted that the custodian did not maintain original invoices to support disbursements made prior to June 1, 1997. To demonstrate and ensure all purchases made from the law library account are reasonable and valid, original invoices should be retained for all disbursements.

Conditions similar to A and B were also noted in our prior report.

WE RECOMMEND the Presiding Judge:

A. Prepare and retain a formal written agreement authorizing compensation for maintenance of law library records.

B. Require the law library custodian to maintain perpetual inventory records identifying all property purchased with law library monies. Identification should be made with corresponding tag numbers and/or serial numbers. Further, an annual physical inventory of all law library assets should be performed and reconciled with the perpetual records.

C. Require the law library custodian to retain original invoices to support all disbursements made from the Law Library account.

AUDITEE'S RESPONSE

The Presiding Judge provided the following responses:

A. We will implement this recommendation.

B. We will take this recommendation under consideration.

C. We have implemented this recommendation.

This report is intended for the information of the management of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the five years ended December 31, 1990. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the judicial circuit should consider implementing these recommendations.

1. Circuit Division's Accounting Controls and Procedures

A.1. Deposits were not made on a timely basis and checks were not restrictively endorsed immediately upon receipt.

B. The Circuit Clerk allowed employees to cash personal checks from daily receipts.

C. Interest earned over several years, approximating $20,692, was omitted from the Circuit Clerk's monthly reports.

D. The Circuit Clerk did not maintain an investment ledger.

E. The Circuit Division had not entered into a depositary agreement which would require the bank with several Circuit Division accounts to pledge collateral securities to cover monies exceeding the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Recommendation:

The Circuit Clerk:

A. Make deposits daily or when accumulated receipts exceed $100, and restrictively endorse all checks immediately upon receipt.

B. Discontinue the practice of cashing personal checks from daily receipts.

C. Ensure monthly reports include all interest income received and on hand.

D. Establish and maintain a complete investment ledger. This record should list all investment purchases, interest earned, redemptions, interest rates, certificate or account numbers, balances of investments, and the name of the financial institutions.

E. Enter into a depositary agreement with the bank to require collateral securities be pledged whenever balances exceed FDIC coverage. In addition, the Circuit Clerk should routinely monitor total amounts on deposit to ensure amounts pledged are sufficient.

Status:

A&B. Not implemented. See MAR No. 1.

C. Partially implemented. Interest income earned on all checking accounts is included on the monthly report. However, interest income earned on certificates of deposit and money market accounts is not. Although not repeated in the current MAR, the Circuit Clerk should consider fully implementing this recommendation.

D. Partially implemented. While the Circuit Clerk does not maintain an investment ledger, investment details are included on the monthly report and a file containing certificates of deposit information is maintained. These procedures appear adequate to account for investment activity.

E. Implemented.

2. Circuit Division's Accounting Procedures - Child Support Account

A. Both of the division's deputy clerks had the capability of accessing child support files and making changes. A record of on-line changes to case records existed, but there was no independent review of all changes made.

B. Delinquent child support payments were not adequately monitored.

C. Although 13 CSR 30-3.010 (5) F. requires the court to distribute interest earned on Title IV-D collections to the state Division of Child Support Enforcement, the Circuit Clerk did not remit the required amounts.

D. The monies the state intercepted for delinquent child support were not entered into the child support computer; therefore, the delinquent amounts owed may be overstated.

Recommendation:

The Circuit Clerk:

A. Assign supervisory personnel with no child support related duties to periodically review the record of on-line changes to child support information.

B. Implement procedures to monitor delinquent child support payments and issue delinquent notices in accordance with state law.

C. Remit interest earned on Title IV-D collections to the state Division of Child Support Enforcement as required by state and federal regulations.

D. Record intercepted monies on the child support system.

Status:

A&D. Implemented.
B. Not implemented. See MAR No. 1.

C. Not implemented. However, the interest amounts due the state were deducted from the child support incentive payments received from the state Division of Child Support Enforcement. In addition, the Circuit Clerk changed the child support account to a non-interest bearing account.

3. Associate Circuit Division's Accounting Controls and Procedures

A. Receipts were not deposited to the fee account on a timely basis and checks were not restrictively endorsed immediately upon receipt.

B.1. At December 31, 1990, unclaimed or noncurrent cash bonds totaling $8,088 remained in the bond bank account.

2. A monthly listing of open items (liabilities) was not prepared and reconciled to the bank and book balance.

C. Approximately $442, which cannot be identified with specific cases, has been retained in the Associate Circuit Division's Fee Account for over nine years. Also, checks totaling $256 have been outstanding for over one year.

D. Fee sheets for several closed cases were not located.

E. Amounts due to the court for specific cases were not always pursued on a timely basis.

Recommendation:

The Associate Circuit Division Clerk:

A. Make deposits daily or when accumulated receipts exceed $100, and restrictively endorse checks immediately upon receipt.

B.1. Forfeit any bonds for persons who failed to make the required court appearance and attempt to locate those defendants who have a cash bond due back to them and remit the bond amount. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law.

2. Prepare a monthly open-items listing and reconcile the listing with reconciled bank and book balances.

C. Reissue old outstanding checks where the payee can be located and attempt to identify the $442 in specific court cases. Any unclaimed amounts should then be remitted to the state or county's Unclaimed Fees Fund as appropriate. Procedures should be established to routinely investigate checks remaining outstanding or monies remaining unclaimed over a specified period of time.

D. Properly maintain all closed fee sheets.

E. Pursue collection of amounts due on a timely basis.

Status:

A. Not implemented. Deposits are made approximately twice a week or more frequently when large amounts of cash are received. Checks are not restrictively endorsed upon receipt. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. Unclaimed and noncurrent cash bonds were not noted in the bond bank account, and open items listings were prepared. However, some bonds were not properly forfeited. See MAR No. 2.

C. Partially implemented. The $442 is still in a court bank account. Efforts to resolve old outstanding checks have improved. Although not repeated in the current MAR, our recommendation remains as stated above.

D&E. Implemented.

4. Juvenile Officer's Procedures

A.1. Receipt slips issued for the receipt of restitution payments were not prenumbered and original receipt slips which were voided were not retained.

2. A monthly listing of open items (liabilities) was not prepared and reconciled to the bank and book balance.

B. To comply with a requirement of a federal Court Diversion Program, the juvenile division verbally contracted for group therapy and counseling services with a local mental health center.

Recommendation:

The Juvenile Officer:

A.1. Issue prenumbered receipt slips for all restitutions received and retain the original receipt slips for any voided receipts.

2. Prepare a monthly open-items listing which should be reconciled to the bank and book balance.

B. Enter into a written contract specifically defining the rights and duties of both parties as required by state law.

Status:

A. Implemented.

B. Partially implemented. While the juvenile office entered into a written agreement with the provider of group therapy and counseling, the contract amount was increased with a verbal agreement and the written contract was not amended. Although not repeated in the current MAR, the Juvenile Officer should consider fully implementing this recommendation.

5. Law Library Accounting Controls and Procedures

A. Neither the law library treasurer nor custodian were bonded, although both had access to and were responsible for law library monies.

B. The law library custodian received $40 a month from law library funds as compensation for maintaining the accounting records; however, a formal agreement, signed by the Circuit Judge, was not found which allowed this compensation.

C. Perpetual inventory records of the law library assets were not maintained and a physical inventory was not periodically performed. Also, some property, purchased with law library funds was not tagged or identified as property of the law library.

Recommendation:

A. Require all persons with access to cash be sufficiently bonded.

B. Prepare and retain a formal written agreement authorizing compensation for maintenance of law library records.

C. Require the law library custodian to maintain perpetual inventory records identifying all property purchased with law library monies. Identification should be made with corresponding tag numbers and/or serial numbers. Further, an annual physical inventory of all law library assets should be performed and reconciled with the perpetual records.

Status:

A. Implemented.

B&C. Not implemented. See MAR No. 3.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTY FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organization

The Twenty-Fourth Judicial Circuit consists of St. Francois County as well as Madison County, Ste. Genevieve County, and Washington County.

The Twenty-Fourth Judicial Circuit consists of two circuit judges and five associate circuit judges. The court en banc consists of all divisions of the circuit acting collectively. The circuit judges hear cases throughout the circuit. One circuit judge is elected presiding judge by the court en banc and is responsible for the administration of the circuit. Of the five associate circuit judges, two are located in St. Francois County and preside over the Associate Circuit Division and the Probate Division. The other three associate judges are located in Madison, Ste. Genevieve, and Washington Counties.

In addition to the judges, the personnel of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, include a circuit clerk, an associate circuit division clerk, a probate division clerk, twenty deputy clerks, a juvenile officer, seven deputy juvenile officers, a juvenile office attorney, two court reporters, and one secretary.

Circuit personnel located in Madison, Ste. Genevieve, and Washington Counties are not included in the scope of this audit, but are reported on separately.

The juvenile officer's home base is St. Francois County, but he also serves the residents of Madison, Ste. Genevieve, and Washington County.

Operating Costs

The operating expenses of the Circuit Division, the Associate Circuit Division, and the Probate Division are paid by St. Francois County. The operating expenses for the circuit judges, court reporters, and juvenile office are paid for by the various counties within the circuit based on the percentage of the county's population to the total circuit population.

The salaries of court personnel and the juvenile officer are paid by the state of Missouri, except for the salary of one employee in both the circuit and associate divisions who are paid by St. Francois County. The salaries of the juvenile detention center personnel are paid by St. Francois County.

Expenditures incurred for the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, were obtained from the St. Francois County budget and information provided by the State Courts Administrator's office and are as follows:

	Year Ended December 31,					
	1997			1996		
	State of Missouri- Personal Service	St. Francois County		State of Missouri- Personal Service	St. Francois County	
		Personal Service	Operating Expenses		Personal Service	Operating Expenses
Circuit Division	$ 237,153	0	8,490	200,267	0	5,173
Circuit Clerk	260,983	14,392	46,370	239,055	13,304	36,582
Associate Circuit Division	245,388	10,562	13,631	234,340	11,172	11,676
Probate Division	66,306	0	9,808	59,443	0	8,865
Juvenile office	34,307	175,225	124,872	32,523	174,956	108,542
Court reporters	82,476	0	4,732	78,187	0	1,050
Total	$ 926,613	200,179	207,903	843,815	199,432	171,888

Caseload Statistics

Caseload statistics of the filings and dispositions of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

	Year Ended June 30,			
	1997		1996	
	Filings	Dispositions	Filings	Dispositions
Civil	2,620	2,330	2,367	2,131
Criminal	5,253	4,977	5,948	5,260
Juvenile	233	222	211	236
Probate	337	327	284	281
Total	8,443	7,856	8,810	7,908

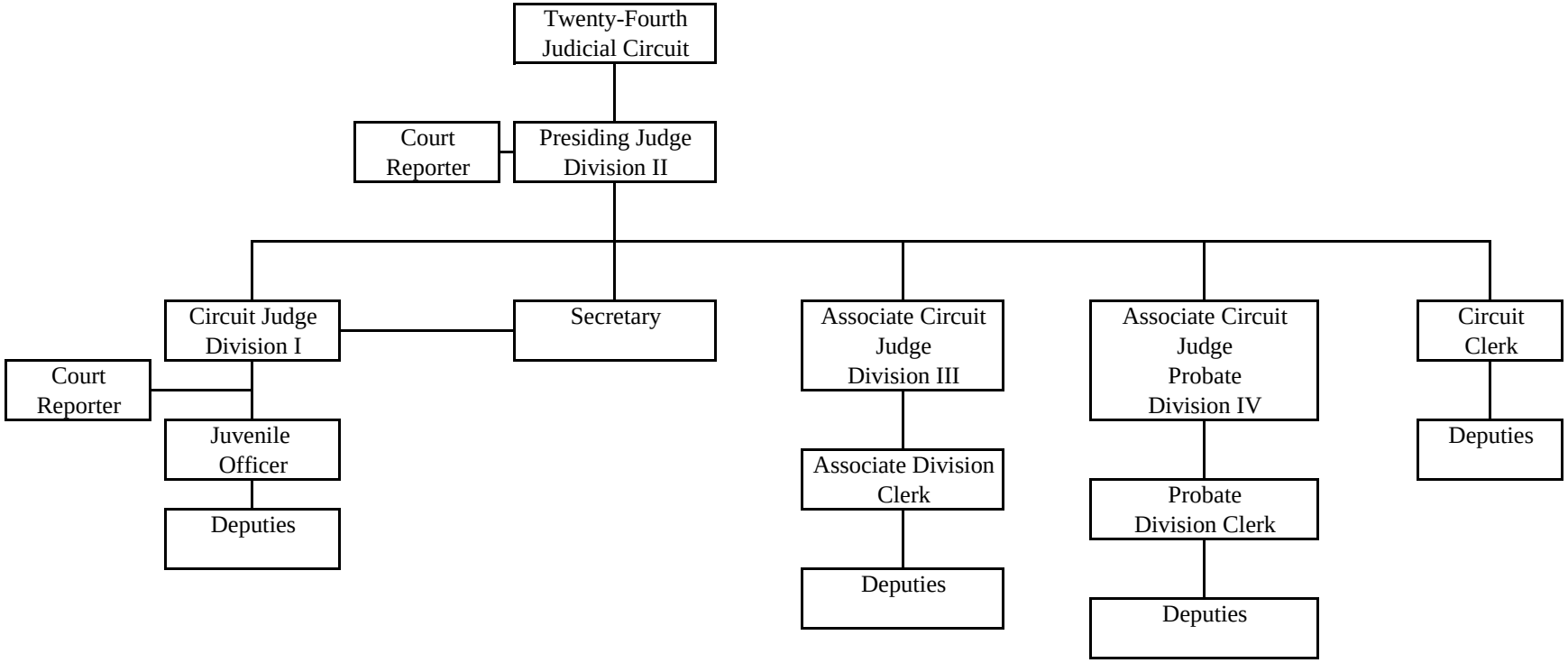
Personnel

At December 31, 1997, the judges, Circuit Clerk, and Juvenile Officer of the Twenty-Fourth Judicial Circuit, St. Francois County, Missouri, were:

Stanley J. Murphy, Circuit Judge, Division I
Kenneth W. Pratte, Presiding Judge, Division II
James E. Pennoyer, Associate Circuit Judge, Division III
James Kelly, Associate Circuit Judge, Division IV (Probate)
Shirley Williford, Circuit Clerk
George B. Boyd, Juvenile Officer

An organization chart follows:

TWENTY-FOURTH JUDICIAL CIRCUIT
ST. FRANCOIS COUNTY, MISSOURI
ORGANIZATION CHART
DECEMBER 31, 1997



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AUDIT REPORT

CITY OF JASPER, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-22
March 30, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Jasper, Missouri.

NOTE: Recommendations, as well as responses from the city, which correspond with the findings below are included in the audit.

Procedures have not been established to ensure expenditures are properly allocated among the various funds benefitting from the expenditures and to ensure restricted revenues are expended only for their intended purposes.

The city pays wage and fringe benefit expenses from both the water and sewer fund and the general fund. However, these expenses are not consistently allocated and no documentation is available to support the method of allocation used.

It is essential that the city properly allocate expenses to the various funds. In December 1998, the board authorized an increase in water and sewer rates. Allocation of expenses is necessary for the city to ensure the water and sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the uses of certain funds, such as capital improvements and transportation sales taxes and state motor vehicle-related revenues, are limited by state law for specified purposes.

In 1997, the city began developing a sports complex facility; however, it appears the city has not performed adequate planning for the project or sufficiently documented actions taken. The city should review the sports complex design and estimate the total cost of the facility to ensure the project is financially feasible. In addition, the city should ensure adequate planning is performed and documented for future developments to ensure financial feasibility, facilitate the projects, and help anticipate problems. Documentation of the planning process is essential in informing citizens and further helps in avoiding confusion and misunderstandings.

The city should also prepare formal annual plans for maintenance and improvement of city streets and sidewalks.

In regard to accounting procedures and controls, we found that duties are not adequately segregated, receipts are not deposited intact, and the composition of receipts is not reconciled to the composition of deposits. Board approval of disbursements is not adequately document-

(over)

ed. An independent appraisal was not obtained for a purchase of real property. The Mayor co-signs checks but is not bonded. The city should consider reducing the number of bank accounts maintained. Annual reports of property tax collections and delinquent taxes are not prepared as required by law.

Budgets did not include some information required by state law and were not formally adopted prior to the beginning of each year. Published financial statements did not reflect some financial activity and indebtedness of the city.

Discrepancies concerning the city boundaries have not been resolved. We recommend the Board of Aldermen review the discrepancies regarding the city limits and seek legal counsel regarding any action that should be taken. The resolution of the matter should be sufficiently documented.

CITY OF JASPER, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Jasper
Jasper, Missouri 64755

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Jasper, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provision, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

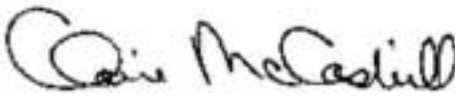
Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the city.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied in the audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539

Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Jasper, Missouri.



Claire McCaskill
State Auditor

February 4, 1999

HISTORY AND ORGANIZATION

CITY OF JASPER, MISSOURI
HISTORY AND ORGANIZATION

The city of Jasper is located in Jasper County. The city was incorporated in 1881 as a fourth-class city. The population of the city in 1990 was 994.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The mayor, board of aldermen, and other principal officials at December 31, 1998 were:

Elected Officials	Term Expires	Compensation for the Year Ended December 31, 1998	Amount of Bond
Fred Krusekopf, Mayor	April 1999	$ 140	
Judy Jones, Alderwoman	April 1999	60	
Dusty Nelson, Alderman	April 1999	70	
Russell Selvey, Alderman	April 2000	70	
Bill Hulstine, Alderman (1)	April 2000	0	
Other Principal Officials			
Mary McNary, City Clerk/City Collector		16,940	$15,000
Debra Weng, City Treasurer		3,731	15,000
Doug Miller, City Attorney (2)		2,046	
Tom Tompkins, Police Chief (3)		16,884	
Kevin Blades, Fire Chief (4)		0	
Tom Moore, City Engineer		2,814	

(1) Elected in April 1998 to replace Mark Maneval.

(2) Appointed September 23, 1998. Mark Mayo served as City Attorney prior to August 1998.

(3) Promoted to acting police chief in July 1998 and appointed Police Chief on November 11, 1998. Gary Terry served as Police Chief until June 1998.

(4) Appointed September 23, 1998. J. R. Good was appointed April 20, 1998 and resigned in September 1998. Tony Neher served prior to April 1998.

In addition to the officials listed above, the city has three full-time employees.

Assessed valuation and tax rate information for the tax year 1998 were as follows:

ASSESSED VALUATION	
Real estate	$2,724,870
Personal property	2,243,170
Railroad and utility	331,477
Total	$ 5,299,517

TAX RATE PER $100 OF ASSESSED VALUATION

General Fund	$ .76

The city also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	.01	None
Capital improvement	.005	None
Transportation	.005	None

MANAGEMENT ADVISORY REPORT

CITY OF JASPER, MISSOURI
SUMMARY OF FINDINGS

1. Restricted Revenues (page 8)

   Procedures have not been established for the proper allocation of expenditures and to ensure restricted revenues are expended only for their intended purposes.

2. Capital Improvements (pages 9-10)

   The city has not performed adequate planning or sufficiently documented its actions related to the construction of a sports complex facility and has not developed a formal plan for the construction, repair, and maintenance of streets and sidewalks.

3. City Boundaries (pages 10-11)

   Discrepancies concerning the city boundaries have not been resolved.

4. Accounting Controls and Procedures (pages 11-13)

   Duties are not adequately segregated. Receipts are not deposited intact, and the composition of receipts is not reconciled to the composition of deposits. Board approval of disbursements is not adequately documented. An independent appraisal was not obtained for a purchase of real property. The Mayor co-signs city checks but is not bonded. The city should consider reducing the number of bank accounts maintained. Annual reports of property tax collections and delinquent taxes are not prepared as required by state law.

5. Water and Sewer System (pages 13-15)

   Monthly accounts receivable listings are not reconciled to beginning accounts receivable, plus billings, less utility payments and adjustments. Utility credit adjustments are not adequately documented, reviewed, and approved. The total gallons of water pumped is not reconciled to gallons of water billed. The city needs to file a schedule of planned sewer improvements with the Department of Natural Resources.

6. Written Agreements (page 15)

   The city has not entered into written agreements for various services and cooperative agreements.

7. Budgets and Financial Reporting (pages 15-17)

   Budgets did not include some information required by state law and were not formally adopted prior to the beginning of each year. Published financial statements did not reflect some financial activity and indebtedness of the city.

8. Minutes and Ordinances (page 17)

   Board minutes are not signed by the City Clerk or Mayor and improvement is needed in the organization of city ordinances.

1. Restricted Revenues

Procedures have not been established to ensure expenditures are properly allocated among the various funds benefitting from the expenditures and to ensure restricted revenues are expended only for their intended purposes.

The city pays wage and fringe benefit expenses from both the water and sewer fund and the general fund. However, these expenses are not consistently allocated and no documentation is available to support the method of allocation used. The City Clerk indicated that the city attempts to pay wages and fringe benefits for the City Clerk and two of the water and street department employees from the water and sewer fund, while the Treasurer and the third employee of the water and street department are paid from the general fund. However, between June and August 1998, wages for all five employees were often paid from the water and sewer fund because the cash balance in the general fund was not sufficient to cover the expenses.

Time sheets are prepared by all employees, indicating the total hours worked. However, no documentation is maintained to separately indicate the number of hours related to streets, water and sewer, or other activities.

It is essential that the city properly allocate expenses to the various funds. In December 1998, the board authorized an increase in water and sewer rates. Allocation of expenses is necessary for the city to ensure the water and sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the uses of certain funds, such as capital improvements and transportation sales taxes and state motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

WE RECOMMEND the Board of Aldermen ensure all expenditures are properly allocated to the various funds and the allocations are supported by adequate documentation.

AUDITEE'S RESPONSE

We have already taken steps to improve the method of allocating expenditures to the various funds and will continue to do this.

2. Capital Improvements

A. In 1997, the city began developing a sports complex facility; however, it appears the city has not performed adequate planning for the project or sufficiently documented actions taken.

In February 1997, the city paid $40,000 for 27 acres of land located near the city lagoon and existing ball fields. The expenditure was paid $30,000 from the capital improvements sales tax fund and $10,000 from the transportation sales tax fund. City officials indicate that approximately 25 percent of the land is to be used for construction of a road and additional parking for the city ball fields, and 75 percent is to be used for development of the sports complex facility. However, board minutes contained no documentation of the board's intentions for the use of the land or justification for paying 25 percent of the cost from transportation sales tax monies.

In May 1997, the board authorized the city's recreation committee to determine the feasibility of developing a sports complex; however, no formal feasibility study was prepared. The City Engineer was paid $5,100 to design a 16-acre sports complex facility which includes the existing ball fields and extends onto the newly acquired land. This expenditure was paid primarily from a $5,000 donation which was restricted for that purpose. The City Engineer was also paid $2,435 from the capital improvements sales tax fund to develop the grading plans. In October 1998, the city entered into a contract not to exceed $35,000 for excavation work, to be paid from the capital improvements sales tax fund. The engineering plans did not include construction cost estimates, and there is no documentation to indicate the board approved the sports complex design or estimated the total cost of the project.

The city should review the sports complex design and estimate the total cost of the facility to ensure the project is financially feasible. In addition, the city should ensure adequate planning is performed and documented for future developments to ensure financial feasibility, facilitate the projects, and anticipate and help prevent potential problems. Documentation of the planning process further helps to avoid confusion or misunderstandings and to inform citizens.

B. In May 1997, the board discussed the need to establish goals for the improvement and repair of streets. They have also periodically discussed the need to repair sidewalks. However, the city has not established a city-wide plan for the construction, repair, or maintenance of streets and sidewalks. A formal plan of street and sidewalk improvements noting the more critical needs of the city is needed to support the expenditures made by the city. This plan is necessary to show whether financial resources are sufficient to meet the critical needs, to provide support for budget preparation and expenditures for street and sidewalk repairs, and to answer questions raised by the public.

WE RECOMMEND the Board of Aldermen:

A. Review the sports complex design and estimate the total cost to ensure the project is financially feasible. The board should ensure adequate planning is performed and sufficient documentation maintained for future developments to ensure financial feasibility, facilitate the projects, and anticipate and help prevent potential problems.

B. Prepare formal annual plans for maintenance and improvement of city streets and sidewalks.

AUDITEE'S RESPONSE

A. *This project is a joint venture with the local school district and the youth baseball association and these entities have committed resources to the project. By working with these entities and obtaining donated labor and supplies when possible, the city is attempting to obtain the greatest value for the taxpayers and we believe the completed project will be a great asset to the community.*

We will review the project and attempt to estimate the costs for those portions of the project that the city intends to complete.

B. *We agree with this recommendation.*

3. City Boundaries

In 1996, the city paid an engineering firm to draw a new city map. Since that time, several citizens have questioned the correctness of the city limits as reflected on the new map. In December 1997, the Missouri Department of Transportation relocated one city limit sign in response to complaints received from citizens, stating that they could find no confirmation that the section of land in question was within the Jasper city limits. In January 1998, the Jasper County Clerk provided the Board of Aldermen with a copy of the 1990 Census map prepared by the United States Geological Survey Department. That map reflected the city limits differently than the new city map, and the County Clerk indicated she could find nothing to support the annexations reflected on the city's map. The March 16, 1998 board minutes indicate the former City Attorney intended to file a copy of the 1939 ordinance defining city limits with the County Clerk's office in order to clear up any questions on the matter. As of December 31, 1998, the City Attorney had not filed the ordinance with the County Clerk, and the conflict between the county's records and the city's records had not been resolved.

The Board of Aldermen should review the situation and seek legal counsel regarding any action that should be taken. In addition, the resolution of the matter should be sufficiently documented in the board minutes.

WE RECOMMEND the Board of Aldermen review discrepancies regarding the city limits and seek legal counsel regarding any action that should be taken. The resolution of the matter should be sufficiently documented.

AUDITEE'S RESPONSE

We agree and will work with our city attorney to resolve this issue.

4. Accounting Controls and Procedures

A. The City Clerk performs all functions related to preparing the utility bills, receipting and recording utility payments and credit adjustments, depositing utility receipts, monitoring accounts for delinquencies, and initiating service shutoff orders. In addition, while the duties of property tax book preparation, billing, and collections appear to be adequately

segregated between the City Clerk and City Treasurer, the City Clerk also serves as City Collector and collects property tax payments.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. One person holding any two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties or receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the accounting records.

B. The following concerns were noted related to receipts:

1. Checks made payable to petty cash are cashed out of current collections. In addition, third party checks were cashed for a city official. As a result, receipts are not deposited intact.

2. The city receives cash and checks for the payment of utility bills, property taxes, and various other receipts. Receipts are posted to a daily receipt listing and reconciled to deposits in total. However, the method of payment (cash, check, money order, etc.) is not recorded on the listing. Consequently, the composition of receipts is not reconciled to the composition of deposits.

To ensure the proper handling and safeguarding of city monies, receipts should be deposited intact. In addition, the method of payment should be indicated on the daily receipt listing, and the composition of receipts should be reconciled to the composition of bank deposits.

C. The City Clerk provides the Board of Aldermen with listings of bills to be paid each month. However, the listings do not always include bills to be paid from the capital improvements and transportation sales tax funds. In addition, bills that are paid between board meetings and recurring expenditures such as utilities and payroll are not included on the listings.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of all bills paid from each fund should be prepared, signed or initialed by the board to denote their approval, and retained with the official minutes.

D. During 1997, the city paid $40,000 for the purchase of approximately 27 acres located contiguous with other city property. The city did not obtain an appraisal for the property. The Jasper County Assessor had appraised this property for $21,340 in 1997.

Independent appraisals are particularly necessary when amounts paid exceed the County Assessor's appraised value.

E. City checks require two signatures. The Mayor co-signs checks with the City Clerk or City Treasurer. While the City Clerk and City Treasurer are bonded, the Mayor is not. Failure to adequately bond all persons with access to assets exposes the city to risk of loss.

F. At December 31, 1998, the city had 13 checking and savings accounts and 5 certificates of deposit. Maintaining numerous bank accounts unnecessarily complicates bookkeeping functions.

G. The City Clerk/City Collector does not prepare annual reports of tax collections and delinquent taxes. Section 79.310 and 94.320, RSMo 1994, require the city collector to make annual reports of tax collections and delinquent taxes.

Detailed annual reports which comply with state law and are classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the city collector, monthly collections, delinquent credits, abatements, and additions. Without such a report, examined by the Board of Aldermen, any errors or irregularities that might occur are likely to go undetected.

WE RECOMMEND the Board of Aldermen:

A. Appoint separate individuals to the positions of City Clerk and City Collector, and segregate the duties of receiving and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If this is not possible, at a minimum, procedures for adequate independent reviews should be established.

B. Deposit receipts intact, and discontinue cashing checks from official receipts. In addition, the method of payment should be recorded on the daily receipt listing, and the composition of receipts should be reconciled to the composition of bank deposits.

C. Ensure complete listings of all expenditures from each fund are prepared, approved by the board, and filed with the board minutes.

D. Ensure appraisals are obtained prior to purchases of real property.

E. Obtain adequate bond coverage for all persons with access to assets.

F. Consider consolidating monies into fewer bank accounts.

G. Require the City Collector to prepare detailed annual reports as required by state law which summarize property tax activity and which can be used to facilitate the reconciliation of taxes charged, taxes collected, and delinquent taxes.

AUDITEE'S RESPONSE

A. Adequate segregation of duties is not possible with our limited number of employees. The City Treasurer is now performing independent reviews of utility receipts and deposits.

B&C. This has been implemented.

D&E. We agree with these recommendations.

F. We will consider reducing the number of bank accounts.

G. We agree and are working on this.

5. Water and Sewer System

A. The city does not reconcile month-end customer accounts receivable listings to beginning accounts receivable, plus monthly billings, less total utility payments and adjustments. Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support conclusions and any corrections made and to facilitate independent reviews.

B. There is no supporting documentation or independent approval of utility credit adjustments. The City Clerk has the ability to record credit adjustments to the computer system without documenting each adjustment.

To ensure that all credit adjustments are valid and properly approved, someone independent of receipting and recording functions should review and approve all credit adjustments, and proper supporting documentation should be maintained of such adjustments.

C. The city does not compare the total gallons of water billed to customers to the gallons of water pumped. The City Clerk prepares monthly reports of the total number of gallons billed to customers and the water and street department records daily meter

readings of the city's two water wells, so information is available to perform such reconciliations.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences.

D. In 1993, the state and the Missouri Clean Water Commission filed a legal action against the city because of deficiencies in the wastewater treatment facility. As part of a Consent Judgement executed with the Missouri Clean Water Commission, the city adopted a municipal compliance plan which provided for modifications to be made to the existing wastewater treatment facility to enable the facility to meet appropriate effluent limitations for its discharge or eliminate the discharge. However, the modifications were not effective in bringing the facility into compliance. In 1997, the board authorized another engineering study to be performed of the water and wastewater systems. The results of the study and recommendations of the engineer were presented to the board and submitted to the Department of Natural Resources (DNR) in March 1998. Although the city has taken steps to implement some of the recommendations of the engineer, progress in bringing the wastewater treatment facility into consistent compliance has been slow. In a letter to the city dated September 21, 1998, the DNR requested a written schedule to be provided within 30 days reflecting tentative dates for completion of the various improvements outlined in the engineer's report. As of February 4, 1999, the city had not provided such a schedule to the DNR.

WE RECOMMEND the Board of Aldermen:

A. Require monthly accounts receivable listings to be reconciled to beginning accounts receivable, plus billings, less collections and other adjustments.

B. Require independent approval of all credit adjustments, and ensure adequate documentation is retained of such adjustments.

C. Compare the gallons of water pumped to the gallons billed on a monthly basis and investigate significant differences.

D. Work to expedite the improvements necessary to bring the wastewater treatment facility into consistent compliance. In addition, the DNR should be contacted regarding a tentative schedule for such improvements.

AUDITEE'S RESPONSE

A. We agree and are working with our computer programmer to implement this.

B. We are working on this.

C. We agree with this recommendation.

D. The city has purchased a dredge which we anticipate will be in use this Spring and will provide a solution to the immediate problem. We will continue to take steps to provide a more permanent solution.

6. Written Agreements

A. The city of Jasper and the surrounding rural area are served by the city fire department and the Jasper Farmer's Fire Protection Association (JFFPA), respectively. The JFFPA, registered as a benevolent corporation, collects membership fees and charges for fire protection services. The city allows the JFFPA to use the city-owned fire barn. In addition, the city and the JFFPA each pay one-half of many expenditures including equipment purchases and operating expenses such as utilities and repairs. The city has not entered into a written agreement with the JFFPA defining the duties and responsibilities of each entity.

B. The city appoints a local attorney to serve as City Attorney. The city has not entered into a formal written contract with the City Attorney defining the services to be rendered and compensation to be paid for the legal services. In addition, although the city did have a written agreement with the City Engineer, that agreement expired in November 1997 and has not been updated.

Written contracts are necessary to document the rights and responsibilities of all parties involved and to prevent misunderstandings. In addition, Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing.

WE RECOMMEND the Board of Aldermen obtain written agreements with the JFFPA, the City Attorney, and the City Engineer to ensure the rights and responsibilities of all parties are specifically outlined.

AUDITEE'S RESPONSE

We agree with this recommendation.

7. Budgets and Financial Reporting

A. The city's budgets did not comply with state law or were otherwise insufficient as follows:

1. The budget for the year ended December 31, 1999, was not approved until February 8, 1999. In addition, the budget for the year ended December 31, 1998, was not prepared until October 1998, and no documentation was available to indicate that the budget was formally approved and adopted.

2. The budgets did not include some funds. For example, the capital improvements sales tax, local transportation sales tax, local use tax, police training, parks and recreation, and DARE funds were not included in the budgets.

3. The budgets did not reflect beginning available resources or projected ending fund balances and did not include budget messages or general budget summaries

describing the important features of the budget and major changes from the preceding years.

4. The budgets included budgeted revenues and expenditures for the two preceding years. However, they did not include comparative statements of the estimated or actual revenues and expenditures for the two preceding budget years.

Section 67.010, RSMo 1994, requires each political subdivision of the state to prepare an annual budget with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditures estimations by classification, and include the beginning available resources and reasonable estimates of the ending available resources of all funds. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years. Section 67.030, RSMo 1994, requires the board to adopt and approve the budgets prior to the beginning of the applicable fiscal year.

B. The city publishes semi-annual financial statements. The financial statements published for the six months ending June 30, 1998 and December 31, 1997, did not include some funds. For example, the DARE fund was not included in the published financial statement for the six months ending June 30, 1998. In addition, the published financial statements did not include the amount of indebtedness of the city. At December 31, 1998, the city had approximately $95,000 in capital lease obligations.

Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. Complete and accurate financial statements are necessary to keep the citizens informed of the financial activity and condition of the city.

WE RECOMMEND the Board of Aldermen:

A. Ensure annual budgets include all relevant information and are adopted prior to the beginning of the fiscal year, as required by state law.

B. Publish complete and accurate financial statements that provide the citizens an account of all of the financial activity and indebtedness of the city.

AUDITEE'S RESPONSE

A. We have made improvements with the 1999 budget and will continue to make improvements.

B. We agree with the recommendation.

8. Minutes and Ordinances

A. The board minutes are prepared by the City Clerk, but the minutes are not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

B. The city's ordinances were last codified in 1982. Since that time, approximately 98 ordinances have been passed. A summary listing and copies of these ordinances are filed in the back of the code book. However, old ordinances have not been removed from the book or clearly identified as having been repealed or superseded by subsequent ordinances. As a result, it is difficult to determine which city ordinances are currently in effect. In addition, city ordinances omit various policies and actions. For example, the city has not adopted a formal policy regarding public access to records or appointing non-elected city officials and establishing their salaries.

Since the ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. Such items as public access to records and the annual appointment of city officials and their compensation should be set forth in the ordinances to give the taxpayers information on how the city is to be governed.

WE RECOMMEND the Board of Aldermen:

A. Ensure board minutes are signed by the City Clerk and the Mayor to attest to their completeness and accuracy.

B. Update the city's ordinances and adopt ordinances regarding public access to records and the appointment and compensation of city officials.

AUDITEE'S RESPONSE

A. We agree with the recommendation.

B. We agree and are working on this.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

VILLAGE OF RAYVILLE, MISSOURI

YEAR ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-21
March 29, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Village of Rayville, Missouri.

NOTE: Recommendations, as well as responses from the village, which correspond with the findings below are included in the audit.

The village contracts with a trash hauler to collect trash from all the homes in Rayville. For a number of years, village residents paid for this trash service through a property tax levy. A ballot proposal to extend this levy was defeated in the April 1996 election. In October 1996, the village began billing each resident $10 a month for the cost of the service. The fees charged to residents were established without a public vote.

The village does not have a formal bidding policy for the procurement of goods and services. In addition, adequate documentation was not maintained to fully support over $5,700 paid to the Chairman in expense reimbursements during the past several years.

All village monies are deposited into a money market mutual fund. This type of investment account is neither insured nor guaranteed by the U.S. Government and does not appear to be an appropriate investment of local public funds. In addition, the village cannot deposit cash into the account, resulting in some village funds being deposited first into the personal accounts of village officials.

The property tax levy for fire protection purposes has generated tax revenues that have exceeded the expenditures for fire protection. In January 1998, the village transferred approximately $3,300 in surplus monies from the Fire Fund to the Trash Fund. We recommend the Board of Trustees ensure any restricted revenues (including those of the Fire Fund) are used only for the purposes intended.

The village does not prepare annual budgets and has not published or posted semiannual financial statements as required by state law. The annual financial reports submitted to the state auditor's office are not accurate.

The board has not held public hearings for proposed property tax rates, prepared an ordinance establishing the approved tax levies each year, or established adequate delinquent tax collection procedures.

VILLAGE OF RAYVILLE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Village of Rayville
Rayville, Missouri 64084

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Rayville, Missouri. Our audit of the village included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

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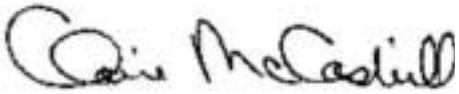
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the village of Rayville, Missouri.



Claire McCaskill
State Auditor

February 2, 1999

HISTORY AND ORGANIZATION

VILLAGE OF RAYVILLE, MISSOURI
HISTORY AND ORGANIZATION

The village of Rayville was incorporated in 1903 and is located in Ray County. The population of the village in 1990 was 170.

The village government consists of a five-member board of trustees. The trustees are elected in staggered elections for two-year terms. The chairman is appointed by the board from the members. The village officials at December 31, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31,1998	Amount of Bond
Fred McKinney, Chairman	April 2000	$ 110	
Kathryn Gillespie, Trustee (1)	April 1999	15	
Paul Mitchell, Trustee	April 1999	55	
Norbert Ding, Trustee (2)	April 2000	40	
Randy Langdon, Trustee (3)	April 1999	20	

The Chairman received $10 per each meeting attended and the other trustees received $5 per meeting.

(1) Appointed to replace Bill Goetz who resigned in July 1998.
(2) Elected to replace Kenneth Wyse in April 1998.
(3) Appointed to replace Bill Kersley who resigned in August 1998.

Other Principal Officials		
Yvonna Smith, Village Clerk	1,113	$ 10,000
George Lehnen, Village Attorney	1,504	

The Village Clerk's compensation includes $125 per year in salary and $988 in commissions.

Assessed valuation and tax rate information for 1998 is as follows:

ASSESSED VALUATION	
Real estate	$ 399,231
Personal property	205,575
Total	$ 604,806

TAX RATES PER $100 ASSESSED VALUATION	
General	$ .48
Street	.57
Fire	.25
Total	$ 1.30

All the tax levies were voter-approved for a three year period and expired in 1998.

A summary of the financial activity of the village of Rayville for the year ended December 31, 1998, is presented below:

	Year Ended December 31, 1998				
	General Fund	Street Fund	Fire Fund	Trash Fund	Total
RECEIPTS:					
Property taxes	$ 3,486	2,595	1,133	38	7,252
Utility franchise taxes	3,259	0	0	0	3,259
Motor fuel taxes	0	6,761	0	0	6,761
Trash fees	0	0	0	6,650	6,650
Interest	1,014	0	0	0	1,014
Transfers	8	0	0	4,773	4,781
Miscellaneous	197	0	0	0	197
Total Receipts	7,964	9,356	1,133	11,461	29,914
DISBURSEMENTS:					
Salaries	1,989	0	0	0	1,989
Utilities	3,366	0	0	0	3,366
Trash service	0	0	0	5,460	5,460
Legal services	1,504	0	0	0	1,504
Advertising	0	398	0	0	398
Expense reimbursements	1,506	336	0	0	1,842
Labor	175	1,312	0	0	1,487
Fire protection	0	0	675	0	675
Street materials	0	2,807	0	0	2,807
Equipment and supplies	260	456	0	0	716
Building repairs	285	7	0	0	292
Election costs	150	0	0	0	150
Insurance	999	0	0	0	999
Postage	160	0	0	0	160
Transfers	1,445	0	3,337	0	4,782
Miscellaneous	159	0	0	5	164
Total Disbursements	11,998	5,316	4,012	5,465	26,791
Receipts Over (Under) Disbursements	-4,034	4,040	-2,879	5,996	3,123
Cash Balance, January 1,	4,154	16,969	4,313	-3,151	22,285
Cash Balance, December 31,	$ 120	21,009	1,434	2,845	25,408

MANAGEMENT ADVISORY REPORT

VILLAGE OF RAYVILLE, MISSOURI
SUMMARY OF FINDINGS

1. Trash Collection Fees (pages 10-11)

   The fee charged to residents for trash collection was established without a public vote. The village has not pursued collection of delinquent trash bills and has not established a formal delinquent trash fee write off policy.

2. Expenditures (pages 12-15)

   The village does not have a formal bidding policy. Adequate documentation was not maintained to fully support over $5,700 paid to the Chairman in expense reimbursements during the past several years. A payment was made to another village official which was not adequately documented. Board minutes do not identify the disbursements approved by the board at its monthly meeting. In 1998, the Chairman enclosed political advertisements in with regular mailings to village residents.

3. Village Bank Account (page 15)

   All village monies are deposited into a money market mutual fund. This type of investment account is neither insured nor guaranteed by the U.S. government and it may not be a proper investment of local public funds.

4. Accounting Controls and Procedures (pages 15-17)

   The Village Clerk also serves as Treasurer and Collector for the village resulting in duties which are not adequately segregated. The Chairman is collecting some receipts but he has not been properly authorized to do so and is not bonded. In addition, cash receipts are first deposited in the Village Clerk's or Chairman's personal bank accounts and then a check written to the village's mutual fund account. All monies collected are not recorded when received, deposits are not made on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt.

5. Fire Fund (pages 17-18)

   The property tax levy for fire protection purposes has generated tax revenues that have exceeded the expenditures for fire protection. In January 1998, the village transferred approximately $3,300 in surplus monies from the Fire Fund to the Trash Fund. This does not appear to be a proper use of these restricted revenues.

6. Budgets, Financial Reporting, and Minutes (pages 18-19)

   The village does not prepare annual budgets and has not published or posted semiannual financial statements as required by state law. The annual financial reports submitted to the

State Auditor's office are not accurate. Board minutes are not signed by either the Village Clerk or the Chairman.

7. Property Tax Procedures (pages 19-20)

The board has not held public hearings for proposed tax rates, prepared an ordinance establishing the approved tax levies each year, or established adequate delinquent tax collection procedures.

8. Street Maintenance Plan (pages 20-21)

An annual maintenance plan for village streets has not been prepared.

1. Trash Collection Fees

A. The village contracts with a trash hauler to collect trash from all the homes in Rayville. For a number of years, village residents paid for this trash service through a property tax levy. A ballot proposal to extend this levy was defeated in the April 1996 election. In October 1996, the village began billing each resident $10 a month for the cost of the service (though an ordinance authorizing this fee was not formally written and approved until October 1997, when the village's ordinances were codified). The fees charged to residents were established without a public vote.

Article X, Section 22(a) of the Missouri Constitution, commonly known as the Hancock Amendment, prohibits political subdivisions from increasing existing taxes, licenses, or fees above levels authorized at the time of passage of the Hancock Amendment without voter approval. However, Section 67.042, RSMo 1994, allows political subdivisions to adjust existing fees and licenses to maintain funding of services provided at the time of passage of the Hancock Amendment. The Missouri Supreme Court, in its decision in Beatty v. Metropolitan St. Louis Sewer District, 867 S.W. 2d 217 (Mo. banc 1993) applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

Because this matter has been a concern of some citizens, the village should request that its attorney review this fee to determine whether it is or can be structured as a user fee, or whether it should be put to a public vote. If this matter is not resolved by clear legal authority or an election, the village might need to consider ending this municipal service and require the village's residents to contract privately for trash hauling.

B. The village has not adequately pursued collection of delinquent trash bills. As of October 1998, the village had approximately $3,800 in delinquent trash bills. This included twelve accounts which were at least twelve months past due.

The village ordinance that authorizes the trash fee states that "Should any property owner's cleanliness - trash service fee account reach or exceed a "amount due" total of $120, this account will be submitted to our city attorney for appropriate legal action and payment." As of December 31, 1998, no delinquent accounts had been turned over to the attorney.

To help ensure prompt collection of trash bills, the village should ensure delinquent accounts are turned over to the Village Attorney as provided by the applicable ordinance.

C. The village does not have a delinquent trash fee write off policy. During 1998, approximately $1,200 in delinquent trash fees were written off by the board. Although it appears most of these accounts related to customers who moved out of the village, we noted at least two instances where current customers' past due balances were forgiven if they paid for current service. In addition, documentation indicating the board's approval of amounts written off was not maintained.

To ensure delinquent accounts are properly handled and ensure equitable treatment of trash customers, the village should adopt policies for writing off delinquent accounts.

WE RECOMMEND:

A. The Board of Trustees request the Village Attorney to review the present trash fee and determine whether it is or can be structured as a user fee, or if it should be put to public vote.

Based on the resolution of the trash fee question discussed in Part A, if the village continues to bill village residents for trash service the Board of Trustees should:

B. Ensure delinquent trash accounts are pursued on a timely basis.

C. Establish a formal policy for trash account write offs and consistently apply the policy to all customers. In addition, board approval of any amounts written off should be documented.

AUDITEE'S RESPONSE

A. The village board indicated it believes the $10 monthly fee is very reasonable and the cost to the individual residents would be greater if the citizens were required to contract for these services privately. The board also indicated that by guaranteeing the payment to the hauling company, the village's residents realize a lower cost and better service. The Village Attorney is aware of this matter and it is the board's intent that this issue be put on the ballot as soon as practical for voter approval.

B. The village board indicated that as of February 1999, the village has taken action to pursue the delinquent accounts and the number of delinquents has been reduced. In addition, on March 1, 1999, the village provided its attorney with a list of delinquent accounts. The board indicated it would follow the procedures as outlined in the applicable ordinance in the future.

C. The village board concurs.

2. Expenditures

A. The village does not have a formal bidding policy. Based on discussions with village officials, it appears bids are not generally solicited for purchases of goods or services. We noted the following expenditures which were apparently not bid:

Item	Cost	Year(s)
Trash hauling	$5,460	1998
Road rock and oil	3,851	1996-1998
Pipe	2,254	1997-1998
Pipe installation	823	1998

Formal bidding procedures for major purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the village's business. Complete documentation should be maintained of all bids received and reason noted why the bid was selected.

Bids can be handled by telephone quotation, by written quotation, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. In addition to the regular compensation paid to village officials, we noted additional payments to village officials as follows:

1) The village has reimbursed the Chairman for various expenses incurred on behalf of the village. From May 1996 to December 31, 1998, the Chairman was paid over $5,700 in expense reimbursements. These expenses included street labor paid by him to other individuals ($1,937), gasoline ($1,286), postage ($697), copying charges ($358), and other miscellaneous items ($970). Expense reports to support approximately $500 in reimbursement payments were not maintained or could not be located. In addition, vendor-provided receipts were not always submitted with the Chairman's expense reports.

   It appears much of the gasoline expense represented fuel purchases for the Chairman's vehicle. While the Chairman indicated he makes numerous trips on behalf of the village (i.e. to haul off junk, make copies, etc.) no documentation was provided regarding the nature and dates of the trips, locations traveled, and number of miles traveled which correspond to the

gasoline purchases. These fuel purchases involved approximately 1200 gallons of gasoline and the lack of documentation made it impossible to determine whether all this fuel was used for village purposes.

Expenses related to village activities should be paid directly by the village to the extent practical. Expenses incurred directly by village officials should be kept to a minimum and supported by adequate documentation. In addition, any gasoline reimbursements should be supported by reports documenting the actual miles driven, date, location and nature of trips.

It should be noted that recently the board took action to restrict the amount of reimbursable expenses the Chairman could incur without board approval.

2) In September 1996, a check for $500 was written to and cashed by the Village Clerk. According to the Clerk, the money was used to pay a number of boys in the village to help with street work. No documentation identifying who the money was paid to or the hours worked was maintained.

Disbursements of village funds should be made by check to the extent possible, and cash disbursements should be kept to a minimum. If cash disbursements are necessary, complete documentation of the transaction(s) should be maintained.

C. Supporting documentation was not maintained for other disbursements made by the village. Various payments for street work, spraying, and ditch work had no invoice or other documentation to support the payments. In addition, other invoices were not adequately detailed to support the work performed.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. The village should require detailed invoices for all services which include the number of hours worked by day, the work performed, and the hourly rate charged.

D. The village has not entered into written contracts for various contracted services received. For example, the village has not entered into a formal written contract for its trash hauling services.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The village should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

E. Although there is an occasional reference to a specific invoice being approved for payment, the board minutes usually only make a general reference that invoices are approved for payment. In addition, a supplementary listing of all disbursements is not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the trustees to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village.

F. In 1998, the Chairman enclosed political advertisements for a local politician(s) in with regular mailings to village residents. Although it appears the village did not pay for the postage related to these mailings, this practice is inappropriate for a government entity and, at a minimum, gave the appearance public funds were being used to support or promote a candidate which is prohibited by Section 115.646, RSMo 1994.

WE RECOMMEND the Board of Trustees:

A. Establish a formal bidding policy regarding the procurement of goods and services. Such a policy should require that competitive bids are solicited through advertising for any purchases over an established amount and that bids be solicited for any purchases over a lesser amount. In addition, documentation of the bidding process should be maintained in all cases.

B. Ensure expenses are paid directly by the village to the extent practical and cash disbursements are kept to a minimum. In addition, adequate documentation for all reimbursements and payments to village officials should be maintained. Further, reimbursements for gasoline expenses should be supported by the actual miles driven.

C. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods or services received.

D. Ensure formal written contracts are entered into for any services obtained by the village.

E. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.

F. Ensure the practice of including political advertisements in village mailings is prohibited.

AUDITEE'S RESPONSE

A. *The village board indicated it recently established a formal procurement policy. The board indicated it did solicit bids for the pipe and installation work; however, it agreed this was not adequately documented. The board indicated adequate documentation would be maintained in the future.*

B,C, &E. *The village board concurs.*

D. *The village board concurs and indicated it will enter into a contract with its trash hauler.*

F. *The village board concurs and indicated this will not happen again. The Chairman indicated that other than the cost of the envelopes, the village did not incur any costs related to this mailing. The postage was not paid by the village.*

3. Village Bank Account

The village of Rayville maintains all of its monies in a money market mutual fund account through a local stock broker. Monies are deposited directly into this account and disbursements are made by check from the account. According to the fund's prospectus, the monies maintained in this account are neither insured nor guaranteed by the U.S. government. It appears this may not be an appropriate investment account for a municipality. In addition, the city cannot deposit cash into the account, resulting in village funds being commingled in the personal accounts of certain village officials (See MAR No. 4.B.)

It appears investments of local public funds are limited to insured or collateralized banking deposits or direct investments in government securities that can be held to maturity.

WE RECOMMEND the Board of Trustees review this situation with its attorney and determine whether this account is a proper and legal investment for the village.

AUDITEE'S RESPONSE

The village board indicated it will review the appropriateness of this account. In addition, the village will open a bank account into which all receipts will initially be deposited.

4. Accounting Controls and Procedures

A. The Board of Trustees has not appointed separate individuals to serve as Village Collector or Village Treasurer. Presently, the Village Clerk also serves as both the Village Collector and the Village Treasurer. She collects receipts (including property taxes), maintains the village's financial records, makes bank deposits, co-signs checks, reconciles the bank account, handles trash billings and collections, and serves as secretary to the board.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statutes pertaining to villages are similar to those cited in this opinion, therefore, the opinion's conclusion appears applicable to villages also.

Holding all three of these offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

B. The Chairman of the Board of Trustees and the Village Clerk currently both collect receipts for the village. The Chairman records his collections on a log and subsequently turns these monies over to the Village Clerk for deposit. It does not appear proper for the Chairman or any other member of the village board to be handling receipts(unless they have been authorized to serve as Village Treasurer). To maintain proper control over receipts, all monies should be received by an individual(s) authorized and bonded to handle village funds (i.e., the Village Clerk or an appointed Treasurer or Collector).

In addition, the financial entity which handles the city account will not accept cash deposits. As a result, any cash received by the Chairman or the Village Clerk is initially deposited into their personal bank accounts and a check is then written from their personal accounts to the village. Commingling village monies with personal funds is a poor practice and should be discontinued immediately.

C. All monies collected are not recorded when received. The village's primary receipts record is a check register maintained by the Village Clerk to which receipts are recorded when they are deposited.

To help ensure collections are properly recorded and deposited, all monies should be recorded on prenumbered receipt slips or a receipts ledger when received. The receipt records should indicate whether cash, checks, or money orders are received, and the composition should be reconciled to the bank deposits on a periodic basis.

D. Deposits are not made on a timely basis. During the year ended December 31, 1998, deposits were generally made only twice a month, with deposits averaging over $800.

To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed $100.

E. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Board of Trustees:

A. Consider appointing separate individuals to the positions of Village Clerk, Village Collector, and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

B. Ensure village monies are received only by village officials authorized and bonded to handle village funds. In addition, all city receipts should be deposited directly into city accounts and the practice of commingling village monies with personal funds should be discontinued immediately.

C. Ensure all monies received are recorded on prenumbered receipt slips or a properly maintained receipts ledger when the monies are received. In addition, the composition of receipts should be reconciled to deposits on a periodic basis.

D. Ensure deposits are made on a daily basis or when accumulated receipts exceed $100.

E. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

A. The village board indicated that someone will perform an independent review of the records on a periodic basis. This review will be documented.

B-E. The village board concurs.

5. Fire Fund

In April 1996, city voters renewed a $.25 property tax levy for an additional three years for the purpose of providing revenue for fire protection. It appears this special purpose tax has been levied by the village for a number of years. The monies generated by this levy have been used by the village to contract with a local fire district to provide fire protection services.

During 1998, the fire levy generated approximately $1,130 in property tax revenues, and in that year the city disbursed $675 pursuant to the contract with the fire district. It appears

property tax revenues have exceeded the amount disbursed to the fire district for a number of years, resulting in a fund balance of $4,313 at the end of 1997. In January 1998, the village transferred approximately $3,300 of this balance to the Trash Fund to help eliminate the negative balance which existed in that fund. This transfer did not appear proper since these tax revenues were restricted for fire protection purposes.
The property tax revenues related to the fire levy should be used only for fire protection purposes. If expenditures for fire protection services remain at the current level, the board should consider reducing the fire tax levy accordingly.

WE RECOMMEND the Board of Trustees ensure any restricted revenues (including those of the Fire Fund) are used only for the purposes intended. In addition, in the future the board should set the fire tax levy at a level sufficient to meet the related expenditures without being excessive.

AUDITEE'S RESPONSE

The village board concurs. In addition, the board indicated that it intends to lower the property tax levy for fire protection purposes which will be on the April 1999 ballot.

6. Budgets, Financial Reporting, and Minutes

A. The village does not prepare and adopt annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about village operations and current finances.

B. Semiannual financial statements are not published or posted as required by law. Section 80.210, RSMo 1994, provides that the board of trustees is to prepare a correct statement of all monies received and expended on behalf of the village for the preceding six months and publish the financial statement in a local newspaper or post the statement in six public places within the village.

C. The annual financial reports submitted by the village to the State Auditor's office as required by Section 105.145, RSMo 1994, do not accurately reflect the balances and financial activity of the various funds. During our review of the annual report for the year ended December 31, 1997, we noted that the financial activity and balances reported for the various funds did not agree with the village accounting records or the monthly financial reports prepared for the village board. The annual report for 1998 had not been prepared at the time of our review.

The board should ensure the annual financial reports required pursuant to Section 105.145, RSMo 1994, accurately reflect the financial activity and balances of the various funds of the village.

D. Board minutes are prepared by the Village Clerk; however, they are not signed by either the Clerk or the Chairman. The board minutes should be signed by the Village Clerk and Chairman upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

WE RECOMMEND the Board of Trustees:

A. Prepare and adopt annual budgets as required by state law.

B. Ensure semiannual financial statements are published or posted in accordance with state law.

C. Ensure the annual financial reports prepared and submitted to the State Auditor's office pursuant to Section 105.145, RSMo 1994, accurately reflect the financial activity and balances of the various funds of the village.

D. Ensure all board minutes are properly signed to attest to the accuracy.

AUDITEE'S RESPONSE

A,B, &D. The village board concurs.

C. The village board concurs and indicated an accurate report has been prepared and submitted for 1998.

7. Property Tax Procedures

A. The Board of Trustees has not held public hearings on the village's proposed property tax levies for at least the past several years. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing.

B. The Board of Trustees has not prepared an ordinance establishing the approved tax levies for each year as required by Section 80.460, RSMo 1994.

C. The village does not prepare a delinquent tax list and turn it over to the County Collector as required by statute. Section 80.480, RSMo 1994, requires the Board of Trustees to annually turn over to the County Collector a delinquent tax list and certified copies of all tax bills included in the delinquent list. The County Collector is then responsible for collecting the amounts due, including any interest and penalty charges. At December 31, 1998, delinquent property taxes owed the village totaled over $3,100 for tax years 1997 and 1998.

Attorney General's Opinion No. 31, 1950 to Frank, concluded that the delinquent taxes of a village should be in the hands of the county collector by the first Monday in March of each year.

To ensure compliance with state law and to help ensure efficient collection of delinquent taxes, the village should annually prepare lists of delinquent taxes and turn them over to the County Collector for collection.

WE RECOMMEND the Board of Trustees:

A. Hold a public hearing on proposed property tax rates as required by state law.

B. Establish the annual property tax levies by ordinance as required by state law.

C. Ensure a delinquent property tax list is turned over to the County Collector annually as required by statute.

AUDITEE'S RESPONSE

A&B. The village board concurs.

C. The village board will take this recommendation under advisement.

8. Street Maintenance Plan

An annual maintenance plan for village streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively

monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Trustees prepare a formal maintenance plan for village streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The village board concurs.

This report is intended for the information of the village's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

CITY OF VERONA, MISSOURI

YEAR ENDED MARCH 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-20
March 25, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Verona, Missouri.

NOTE: Recommendations as well as responses from the city can be found on the pages which correspond with the findings below.

Problems relating to public fund expenditures and accounting for restricted revenues.

< (See management advisory report page 8 /re: restricted revenues --- and the city's response to the audit's findings and recommendations.)

< (See management advisory report pages 8-11 / re: expenditures and related items -- and the city's response to the audit's findings and recommendations)

The need to appoint a separate individual as city collector, or establish independent review procedures for the city clerk so the clerk's responsibilities are segregated for both receiving and disbursing city funds. Also independent review procedures need to be applied for calculations of city sewer rates and delinquent sewer accounts.

< (See management advisory report pages 11-13 / re: accounting controls and procedures -- and the city's response to the audit's findings and recommendations)

< (See management advisory report pages 15-16 / re: sewer system procedures -- and records -- and the city's response to the audit's findings and recommendations)

Better adherence to proper procedures relating to the closure of aldermanic meetings, availability of public records, and lack of city property records.

< (See management advisory report pages 13-14 / re: meetings, minutes, and records -- includes the city's response to the audit's findings and recommendations)

< (See management advisory report pages 16-17 / re: city property records -- and the city's response to the audit's findings and recommendations)

Historical information regarding Verona's governmental structure can be found on page 4.

See summary of findings pages 6-7.

YELLOW SHEET

CITY OF VERONA, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Verona
Verona, Missouri 65769

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Verona, Missouri. The city had engaged Wallace, Harner & Associates, P.C., Certified Public Accountants (CPA firm) to perform a financial audit of the city for the year ended March 31, 1998. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended March 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

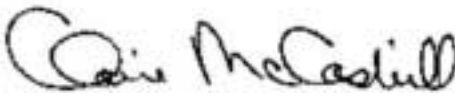
Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Verona, Missouri.



Claire McCaskill
State Auditor

December 21, 1998

HISTORY AND ORGANIZATION

CITY OF VERONA, MISSOURI
HISTORY AND ORGANIZATION

The city of Verona is located in Lawrence County. The city was incorporated in 1916 as a fourth-class city. The population of the city in 1990 was 546.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The mayor, board of aldermen, and other principal officials at March 31, 1998, were:

Elected Officials	Term Expires	Compensation for the Year Ended March 31, 1998	Amount of Bond
Nadene Weathermon, Mayor	April 1999	$ 90	$
Joyce Myers, Alderwoman*	April 1998	120	
Brian Chapman, Alderman**	April 1998	120	
Michael Haynes, Alderman***	April 1999	80	
Matt Pruente, Alderman	April 1999	110	
Other Principal Officials			
Grace Schmidt, City/Court Clerk		14,500	10,000
Andrew J. Hager Jr., City Attorney		6,280	
Bill Ray, Building Inspector		0	
Don Pruente, Sewer Inspector		0	
Randee Stemmons, Municipal Judge		500	

* Replaced by Willis Hutson Jr. who won a run-off election in May 1998.

** Replaced by Sherman Mercer who was elected in April 1998.

*** Michael Haynes was impeached April 15, 1998 and was replaced by Patricia Gates.

In addition to the officials listed above, the city has one full-time and one part-time employee.

Assessed valuation and tax rate information for 1998 and 1997 are as follows:

ASSESSED VALUATION

	1998	1997
Real estate	$ 2,057,790	2,053,630
Railroad and utility	187,544	160,508
Personal property	1,612,510	1,419,220
Total	$ 3,857,844	3,633,358

TAX RATES PER $100 ASSESSED VALUATION

General Fund	$ .46	.45

The city has a general sales tax of one percent of retail sales within the city.

MANAGEMENT ADVISORY REPORT

CITY OF VERONA, MISSOURI
SUMMARY OF FINDINGS

1. Restricted Revenues (page 8)

   The city has not established separate accounting records for state motor vehicle-related receipts and law enforcement training fees to ensure the monies are spent in accordance with the constitution and state law.

2. Expenditures and Related Items (pages 8-11)

   Bids or proposals were not always solicited in accordance with the city's purchasing policy. Christmas bonuses were paid to a city official and city employee which appear to represent additional compensation and are in violation of the Missouri Constitution. The city needs a written agreement to define its relationship with the local drug task force. The city maintains two bank accounts which are in the custody of the fire chief, and the city needs to make a clear distinction between the funds in these accounts regarding which funds are city funds and which funds are the volunteer firefighters' personal funds.

3. Accounting Controls and Procedures (pages 11-13)

   Accounting duties are not adequately segregated. Bank reconciliations are not properly documented. Checks are signed in advance by the Mayor, and the Mayor is not bonded. Listings of expenditures approved by the board do not classify amounts allocated to each fund. The method of payment is not recorded and the composition of receipts is not reconciled to bank deposits. Records are not adequate to ensure all dog pound redemption fees are calculated properly. Merchant license fees are not established by ordinance and there are no formal policies regarding follow-up on delinquent licenses.

4. Meetings, Minutes, and Records (pages 13-14)

   Closed meetings are not always documented and conducted in accordance with state law. Board minutes should be signed by the Mayor. The city has not established a policy regarding public access to city records.

5. City Ordinances and Budgets (pages 14-15)

   The city has some outdated codes and ordinances with which it does not comply. Improvements are needed regarding the city's annual budgets.

6. Sewer System Procedures and Records (pages 15-16)

   There are no supervisory or independent reviews of sewer rate calculations or adjustments. The board does not review delinquent accounts, and the city has no formal sewer disconnect procedures. The city's current sewer deposit requirements are not in compliance with its ordinance.

7. City Property (pages 16-17)

The city does not maintain inventory records for city property. Complete usage, maintenance, and fuel logs are not maintained for city vehicles.

1. Restricted Revenues

A. During the year ended March 31, 1998, the city deposited $21,220 of state motor vehicle-related receipts into the General Fund and incurred only $4,804 of street-related expenditures. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets.

The city has not established a separate accounting for these receipts and related disbursements. From 1994 to 1998, the city received $72,603 in motor vehicle-related revenues but city records indicate only $50,907 was spent for street-related expenditures.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution. The unspent balance of street revenues should be accounted for separately along with future receipts.

B. Law enforcement training fees are not accounted for separately or maintained in a separate fund. During the year ended March 31, 1998, the city received approximately $180 in training fees and did not incur any training-related expenditures. Section 590.140, RSMo Supp. 1998, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

WE RECOMMEND the Board of Aldermen establish separate funds or a separate accounting of state motor vehicle-related funds and law enforcement training fees to ensure compliance with the Missouri Constitution and state law.

AUDITEE'S RESPONSE

We have already implemented this recommendation.

2. Expenditures and Related Items

A. The city's procurement policy states that bids shall be taken for all purchases of supplies and contractual services when the estimated costs exceed $1,000. However, bids or proposals were not solicited or bid documentation was not retained for the following purchases:

Item	Amount
Patrol car	$14,500
Fire department equipment	6,778
Radio equipment	3,264
Insurance	5,246
Radar gun	1,015

In addition, the city paid approximately $2,500 per year to a CPA firm for financial statement preparation and auditing services during fiscal years 1998 and 1997. The city has used the same firm for several years, and there is no documentation of when the city last solicited proposals for auditing services.

Bidding procedures for significant purchases help to ensure the city receives fair value by contracting with the lowest and best bidder. The city should ensure bids or proposals are solicited in accordance with its established policy and applicable documentation is retained.

B. Christmas bonuses were paid to city employees in December 1998 and 1997. The City Clerk received $55 and $50 during 1998 and 1997 respectively, and the individuals serving as police officers received $50 each for 1998 and 1997.

The bonuses appear to represent additional compensation for services previously rendered and violate Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

C. The city paid $1,000 to the Southwest Drug Task Force in January 1998. The city did not obtain a contract outlining the services to be provided and did not obtain documentation of the use of funds. The city should obtain a written contractual agreement with the task force to document what the monies are to be spent on.

D. The city's volunteer fire department provides fire protection services for the city. The fire department has not been set up as a separate organization and is part of the city government.

The majority of the fire department's operating expenses are paid by the city and approved by the Board of Aldermen; however, the city has also established two bank accounts under its tax ID number (checking account and savings account) which are under the control and custody of the fire chief. Monies deposited into these accounts include donations, fund raising proceeds, grant proceeds, and board-approved stipend payments for firefighters' participation in meetings, training, and fire calls. Expenditures from these accounts are not reviewed by the board and are made at the fire chief's discretion. Our review of these bank accounts noted the following concerns:

1. Disbursements from the savings account are made in cash by the fire chief and supporting documentation, such as vendor invoices, is not maintained for

these disbursements. During 1997 and 1998, approximately $2,900 was disbursed from the account, and the fire chief indicated the money was used mainly for T-shirts and jackets, Christmas dinners for volunteers and city officials and employees, and a donation to the wife of a deceased former alderman. The Board of Aldermen indicated that the savings account has always been considered the volunteer firefighters' personal funds because it mainly consists of the stipend payments to the volunteers, and the volunteers have elected to let the fire chief use this money for fire department-related purposes; however, the savings account is set up under the city's tax ID number as mentioned above, and the City Clerk makes deposits directly into the account. Therefore, this account functions as a city account.

2. Expenditures are paid by check from the checking account and the related invoices are filed at city hall by the City Clerk. However, the invoices are not filed in any particular order and at least one invoice could not be located. In addition, the invoices are not marked "paid" or otherwise canceled upon payment, and a duplicate payment of $147 was made by the city for an expenditure already paid by the fire department.

The Board of Aldermen should review this matter and establish a clear distinction between the city's fire department funds and the volunteer firefighters' personal funds. All city funds should be transferred to the City Clerk, who is the city's fund custodian, and all expenditures of city fire department funds should be made by check and reviewed and approved by the Board of Aldermen. The city's tax ID number should not be used for personal bank accounts. In addition, the board should seek reimbursement of the $147 vendor overpayment.

WE RECOMMEND the Board of Aldermen:

A. Ensure bids or proposals are solicited in accordance with the city's established procurement policy and all related documentation is retained.

B. Discontinue paying Christmas bonuses to city employees.

C. Enter into a written contract with the drug task force regarding the services provided by the task force.

D. Transfer custody of all city fire department funds to the City Clerk and ensure all expenditures are paid by check and are reviewed and approved by the board. In addition, invoices or other supporting documentation should be maintained for all expenditures, and invoices should be canceled to prevent duplicate payments. Finally, the board should seek reimbursement for the $147 overpayment and ensure the city's tax ID number is not used for personal bank accounts.

AUDITEE'S RESPONSE

A. We will review our current bidding policy, make changes to the policy if necessary, and ensure the policy is followed.

B. We will not pay any more bonuses.

C. We will review this and obtain a written agreement.

D. The money in the savings account has always been the volunteers' personal funds to be spent at their discretion. We will ensure the volunteers' money is moved into an account which does not have the city's ID number, and all city fire department funds will be placed in the custody of the City Clerk. We have already obtained reimbursement of the $147 overpayment.

3. Accounting Controls and Procedures

A. The board eliminated the City Collector's position in December 1996 and assigned the duties to the City Clerk. Currently, the City Clerk collects all receipts, maintains receipt and disbursement records, makes bank deposits, co-signs checks, handles all sewer billings and collections, and serves as secretary to the board.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of city clerk, city treasurer, and city collector or any two of these three offices, by the same person at the same time would be incompatible. Holding any two of these three offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

Also, to safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits and checks issued to disbursement records, and review bank statements and bank reconciliations.

B. The City Clerk indicated she reconciles the bank accounts but does not retain documentation of the reconciliations. Complete documentation of the reconciliations should be prepared and retained to support conclusions and any corrections made and to facilitate independent reviews.

C. Checks issued on the bank accounts require signatures of both the City Clerk and Mayor; however, checks are sometimes signed in advance by the Mayor. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures. In addition, the City Clerk is bonded but the Mayor is not bonded.

D. The Board of Aldermen reviews and approves monthly listings of expenditures; however, the listings do not identify the funds to which the expenditures are allocated. Also, the checkbook register does not always identify the fund to which

expenditures are allocated. The expenditures are classified by fund on the annual expenditure reports.

To ensure proper classification of expenditures, the Board of Aldermen should review and approve the classification of expenditures charged to various funds on a monthly basis.

E. The method of payment (i.e., cash, check, or money order) is not recorded on the receipt listing or the utility payment stubs. To ensure all receipts have been recorded properly and deposited intact, the method of payment should be recorded on each receipt listing or utility payment stub and the composition of receipts should be reconciled to the composition of bank deposits.

F. The city operates a dog pound for dogs found running at large in the city. The city currently maintains an animal control log which identifies the type of dog picked up and date picked up but does not always document whether the dogs have been redeemed by the owner or taken to the local humane society. Varying amounts are charged for dog redemption based on the number of days the dog was in the city's pound.

To ensure all redemption fees are collected and properly accounted for, the city should maintain accurate records of the disposition of each dog, and the redemption fee due.

G. City ordinance requires merchants operating within city limits to purchase a merchants license; however, the license fees are not established by ordinance. The fees range from $25 to $150 based on the type of business. The license fees are due annually by January 1.

The city does not have a formal policy regarding delinquent licenses. Nine merchants purchased their 1998 licenses after January 1, including three in February and one in March. The city issued a summons to one merchant on February 24, 1998, who had failed to pay (who subsequently paid on February 25, 1998) but did not issue summonses to two other merchants who had not yet paid for their licenses.

To ensure that all merchants are treated equitably, the license fees should be established by ordinance and formal policies on delinquent licenses should be established and followed.

WE RECOMMEND the Board of Aldermen:

A. Consider appointing separate individuals to the positions of City Clerk and City Collector and provide for adequate segregation of duties. If this is not possible, procedures for independent reviews of accounting records should be established.

B. Ensure monthly bank reconciliations are performed and documented for all accounts.

C. Discontinue the practice of signing checks in advance, and obtain bond coverage for the Mayor.

D. Identify and approve all expenditures by fund type to ensure proper classification of expenditures.

E. Ensure the method of payment is recorded on each receipt listing or utility stub, and the composition of receipts is reconciled to the composition of deposits.

F. Ensure disposition is indicated on the animal control log to ensure all redemption fees are properly accounted for and collected.

G. Establish merchant license fees by ordinance and develop a formal, written policy for delinquent licenses to ensure that all merchants are treated equitably.

AUDITEE'S RESPONSE

A. We agree with the recommendation, but the city does not have sufficient resources to hire additional personnel. A designated board member will review the City Clerk's work.

B & D-F. These recommendations have already been implemented.

C. The Mayor has stopped signing checks in advance, and we agree that the Mayor should be bonded.

G. We agree with this recommendation.

4. Meetings, Minutes, and Records

A. The Board of Aldermen conducted several closed meetings during the year ended March 31, 1998; however, the minutes did not always document the related vote or the reasons for closing the meeting. Section 610.022, RSMo Supp. 1998, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.

Also, some topics discussed in closed meetings did not meet the criteria outlined in Section 610.021, RSMo Supp. 1998. For example, the board approved the purchase of a police car in a closed session on June 26, 1997 and agreed to obtain employee health insurance during the June 19, 1997 closed meeting. The board should restrict the discussion in closed sessions to the specific topics allowed by state law.

B. The board minutes are prepared and signed by the City Clerk, but the minutes are not signed by the Mayor. The board minutes should be signed by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

C. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to city records would establish guidelines for the city to make records available to the public. This policy should establish a person to

contact and an address to mail requests for access to records. Section 610.023, RSMo Supp. 1998, lists requirements for making city records available to the public.

WE RECOMMEND the Board of Aldermen:

A. Hold a vote to go into closed session, state the reasons for going into closed session, publicly disclose the final disposition of applicable matters discussed in closed session, and ensure only allowable, specified subjects are discussed in closed session as required by state law.

B. Ensure board minutes are signed by the Mayor to attest to their completeness and accuracy.

C. Establish formal written policies and procedures regarding public access to city records.

AUDITEE'S RESPONSE

A. We agree and will ensure the Sunshine Law is followed for future meetings.

B&C. We agree and will implement these recommendations.

5. City Ordinances and Budgets

A. The city has not reviewed all city codes/ordinances to determine whether current city operations are in compliance. As a result, the city has some outdated codes and has not complied with other codes.

For example, City Code No. 24.120 requires all new ordinances and resolutions to be endorsed by the board member introducing the ordinance or resolution; however, this code has not been followed. Additionally, City Code No. 21.170 requires the mayor to call a special election to fill a vacancy on the board of aldermen unless the next general municipal election is less than 6 months away. The board, however, appointed an individual to fill a vacant board of aldermen position during April 1998 when the next general election was not until April 1999. The decision to appoint the individual instead of holding a special election was based on the City Attorney's advice because he believed the city ordinance contradicted an applicable state law.

As the above examples illustrate, the city should review its current ordinances and amend or rescind outdated ordinances and ensure all ordinances are complied with.

B. The city adopts annual budgets for the General Fund and the Sewer Fund. There is no documentation when the budgets for the year ended March 31, 1998 were approved and adopted by the Board of Aldermen. The City Clerk indicated the budgets were approved during or around August 1997. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

In March 1998, the city adopted budgets for the year ended March 31, 1999; however, the budgets did not include projected ending balances, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message.

In addition, the board does not periodically compare budgeted and actual revenues and expenditures, and actual expenditures exceeded budgeted amounts during the year ended March 31, 1998.

Sections 67.010 to 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues.

WE RECOMMEND the Board of Aldermen:

A. Consider updating the codification of city ordinances to help ensure all ordinances are current, reflect the board's intentions, and are complied with.

B. Prepare annual budgets in compliance with state law and periodically compare budgeted and actual revenues and expenditures.

AUDITEE'S RESPONSE

A. We agree with this recommendation.

B. The budgets that we are currently working on for the upcoming fiscal year will comply with state law. The current board has been comparing budgeted and actual expenses.

6. Sewer System Procedures and Records

A. Individual customer sewer rates are calculated annually by the City Clerk based on water usage readings provided by the independent water company. There is no supervisory or independent review of these calculations. In addition, the City Clerk is responsible for making adjustments to individual customer accounts due to invalid water meter readings or water leaks.

While reasons to adjust the billings may be valid, it appears most adjustments are made at the discretion of the City Clerk and are not formally reviewed by other city officials. Supervisory or independent review and approval of the rate calculations and adjustments helps to ensure such transactions are proper and reduces the possibility that improper or erroneous adjustments would go undetected.

B. The Board of Aldermen does not periodically review delinquent sewer accounts. Follow-up on delinquent accounts is performed by the City Clerk; however, the city has some old delinquent balances dating back to 1996.

The city should review delinquent accounts monthly and ensure appropriate follow-up procedures are performed. In addition, the board should review the old delinquent accounts for collectibility and write off those amounts determined to be uncollectible.

In addition, the city has no formal sewer disconnect procedures. The City Clerk indicated she will usually send out a disconnect notice after four months of non-payment and give the person 30 days to pay the bill. However, she indicated some accounts remained delinquent for several years before being disconnected. A formal policy for sewer disconnect procedures should be established and followed.

C. City ordinance requires a refundable deposit of $60 on all new sewer connections; however, the city only charges the $60 deposit on sewer reconnections. The City Clerk indicated she misunderstood the ordinance and thought that it only applied to reconnections. As a result, the city's current procedures are not in compliance with approved ordinances.

WE RECOMMEND the Board of Aldermen:

A. Require supervisory or independent review and approval for rate calculations and adjustments made to sewer billings.

B. Review delinquent sewer accounts on a monthly basis and write off old uncollectible accounts. In addition, the board should develop a formal sewer disconnect policy and ensure the policy is followed.

C. Collect sewer deposits in accordance with city ordinance.

AUDITEE'S RESPONSE

A. We have been verbally approving adjustments and we will document this approval in the future.

B. We agree and are working on this.

C. We will review this ordinance and take appropriate action.

7. City Property

A. The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the sewer system. Also, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the sewer system, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare them to the detailed records.

B. The city has one patrol car, two fire trucks, and a brush buggy. Mileage or usage logs which document vehicle usage are not maintained for most vehicles. For the patrol car, the police officer documents odometer readings on daily activity logs; however, ending odometer readings do not always agree to the next day's beginning odometer reading and at least one daily log was missing. While some differences exist because the police officer drives the vehicle home at night, our review noted a gap of 103 miles between an ending and a beginning reading which was not accounted for.

Logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded, the vehicles are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

WE RECOMMEND the Board of Aldermen:

A. Establish property records for general fixed assets and the fixed assets of the sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

B. Maintain complete and accurate mileage, usage, and maintenance logs for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

AUDITEE'S RESPONSE

A. We agree and will work to develop property records.

B. The patrol car mileage log is now complete and all miles are recorded. We will consider maintaining some type of usage and maintenance logs for the other vehicles.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

AUDIT REPORT

CITY OF COTTLEVILLE, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-19
March 24, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Cottleville, Missouri.

NOTE: Recommendations, as well as responses from the city, which correspond with the findings below are included in the audit.

During our review of Cottleville's Board of Aldermen meetings, especially closed meetings, we noted some of the following concerns. Formal written minutes are not maintained for closed meetings. **Although minutes for closed meetings are not specifically required by law**, minutes constitute the record of proceedings of the Board of Aldermen. Formal written minutes for closed meetings result in a better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reason announced for closing the meeting pursuant to the Sunshine Law which applies to public meetings.

Furthermore, the board minutes and the meeting agendas do not document the specific reasons for going into a closed session. The tentative agenda and the minutes normally list litigation, real estate transactions, and personnel issues as the reason to go into closed session. While the board normally states three general reasons for going into closed session, the specific reason for going into closed session is not documented. **(See the city's response on page 12)**

In August 1997, the city entered into a loan agreement with the Mayor's brother. The Mayor's brother agreed to loan, **interest free**, such sums of money to the city as the city may request during the years 1997 through 2000, not to exceed $500,000. In February 1998, the city borrowed $284,295 through this agreement to finance the purchase of the property to be used to build a city hall. This loan was entered into without a vote of the city taxpayers.

Article VI, Section 26(c), of the Missouri Constitution allows cities to incur debt by bond issue only after approval of two-thirds of the qualified electors voting thereon. City officials indicated that before the money was borrowed, legal advice was obtained and since the borrowed amount was less than the total estimated revenues for 1998, plus the unencumbered balance from the previous year, the loan was legal. However, much of the city's balance and anticipated revenue was already obligated for 1998. **(See the city's response on pages 19 & 20)**

(over)

The city paid an engineering firm approximately $302,497 and $209,174 for the years ended December 31, 1998 and 1997, respectively. This engineering firm designates an employee to serve as *"City Engineer"* for the city and provides services by other employees as needed. The city entered into a written agreement with this firm on December 18, 1986, which establishes various compensation schedules for the services to be provided. The city entered into several additional contracts with this firm during 1997 and 1998 for large highway/street projects. The city did not solicit proposals for these engineering contracts.

We recommended that the city solicit proposals for engineering services in accordance with state law and ensure payments to the engineering firm comply with the written contract. **(See the city's response on page 18)**

CITY OF COTTLEVILLE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Cottleville
Cottleville, Missouri 63338

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Cottleville, Missouri. Our audit of the city included, but was not limited to, the two years ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for information purposes. This information was obtained from the city and was not subjected to auditing procedures applied during our audit of the city.

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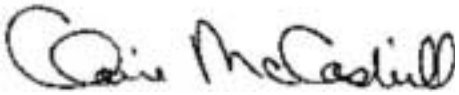
The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the City of Cottleville, Missouri.



Claire McCaskill
State Auditor

January 13, 1999

HISTORY AND ORGANIZATION

CITY OF COTTLEVILLE, MISSOURI
HISTORY AND ORGANIZATION

The city of Cottleville is located in St. Charles County. It was incorporated as a village in 1853, and became a fourth-class city on August 4, 1992. The population in 1990 was 453. The city government consists of a mayor and four-member Board of Aldermen. The four members are elected for two-year terms, one from each of the two wards each year. The mayor is elected for four years, presides over the Board of Aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1998, were:

Elected Officials	Term Expires	Compensation Paid for the Year Ended December 31, 1998	1997
Stephen Kochanski, Mayor and City Administrator	2001	$ 5,434	6,000
Rex Burlison, Alderman	2000	0	0
Donald Buchheit, Alderman	2000	0	0
Michael West, Alderman (1)	1999	0	0
Robert Hendry, Alderman	1999	0	0

(1) Resigned in December 1998. A replacement has not yet been appointed.

Other Principal Officials

Claude C. Knight, Municipal Judge	1,600	1,600
Sandra S. Barklage, City Clerk/Court Clerk	15,000	12,000
Dorothy Kane, Treasurer	8,454	8,400
Scott Lewis, Police Chief	38,654	26,400
Charles Niedner, City Attorney	32,245 (2)	27,428
Paul Lorton, City Engineer	302,497 (3)	209,175
Michael Sommers, CPA, Budget Officer and Accountant	21,635 (2)	17,785

(2) Paid on a contract basis.
(3) These payments were made to George Butler Associates (GBA) who employs Mr. Lorton. GBA is paid on a contract basis.

The city employs approximately 7 full-time and 2 part-time employees.

Assessed valuation and tax rate information are as follows:

ASSESSED VALUATION	1998	1997
Real Estate	$ 14,744,206	12,682,588
Personal Property	2,909,876	2,462,505
Total	$ 17,654,082	15,145,093

TAX RATES PER $100 ASSESSED VALUATION

	1998	1997
General Fund	$.47	.47

The city also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	.01	None

MANAGEMENT ADVISORY REPORT

CITY OF COTTLEVILLE, MISSOURI
SUMMARY OF FINDINGS

1. Board Meetings, Minutes, and Policies (pages 9-12)

Board minutes are not signed by the City Clerk or the Mayor and minutes are not prepared for closed meetings of the board. The board minutes and the meeting agenda did not document the specific reasons for going into closed session, and board minutes did not always contain a record of votes taken and members in attendance. Minutes were not prepared for the special meeting held with the city of St. Peters. Notice, including a tentative agenda, was not posted for some meetings. Copies of tentative agendas are not maintained as official records of the city, and agendas did not include all ordinances and resolutions to be considered by the board. The city has not formally established a policy regarding access to city records. The minutes of a board meeting in which the mayor's brother was an interested party do not indicate the mayor did not preside.

2. City Ordinances and Resolutions (pages 12-14)

Improvement is needed in the organization of the city's ordinances. Three ordinances passed by the Board of Aldermen did not receive the required number of votes. The city does not permit video recording of meetings unless two-thirds of the members vote in favor of allowing such recording.

3. Disbursements (pages 14-18)

Various concerns were noted including the lack of bid documentation, the lack of written contracts, the lack of appraisals for real estate purchases, and disbursements for which a public purpose was not demonstrated or documented. In addition, the Board of Aldermen does not approve all disbursements and did not obtain proposals for engineering services. Payments to the city's accounting firm did not comply with the written agreement.

4. Loan Agreement (pages 19-20)

The city entered into a loan agreement with the mayor's brother to finance the purchase of property without a vote of the city taxpayers.

5. Receipt Procedures (pages 21-23)

Checks and money orders received are not restrictively endorsed immediately upon receipt. In addition, rezoning application deposits do not appear to be handled in accordance with city ordinances. The city has not established a separate fund or separate accounting for waiver fees received, has not established who is responsible for collecting this fee or when it is to be collected, and does not document its reasons for granting the waivers. The Board of Aldermen sometimes waives or lowers the escrow amounts required by developers.

6. Interest on Highway Funds (pages 23-24)

The city has transferred $38,974 of interest money earned on highway project monies to the city general fund.

7. Municipal Court Division (pages 24-26)

The Court Clerk does not prepare monthly open-items listings of bonds held in the bond account. The duties of receiving, recording, and depositing fine and court cost monies collected by the municipal division are not adequately segregated. The court does not account for the numerical sequence of receipt slips issued by the police department. No reconciliation is performed between the composition of receipt slips issued by the court and the monies deposited. The court dockets do not always indicate the disposition of all cases. Fines and court costs assessed did not agree to the fee schedule for file cases reviewed. Neither the police department nor the court adequately accounts for the numerical sequence and ultimate disposition of tickets issued.

1. Board Meetings, Minutes, and Policies

A. Board meeting minutes are prepared by the City Clerk; however, they are not signed by the City Clerk or Mayor. In addition, some meeting minutes were not approved by the Board of Aldermen. The minutes should be prepared and signed by the City Clerk and approved by the board and signed by the mayor immediately upon approval by the board to provide attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

B. During our review of closed meetings, we noted the following concerns:

1) Formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Aldermen. Formal written minutes for closed meetings result in a better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo.

2) The board minutes and the meeting agendas do not document the specific reasons for going into a closed session. The tentative agenda and the minutes normally list litigation, real estate transactions, and personnel issues as the reason to go into a closed session. In addition, one instance was noted where a reason was not specified.

Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, personnel issues, some competitive bidding issues, confidential or privileged communications with auditors, etc. Section 610.022, RSMo, requires a closed meeting, record or vote be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

C. The board minutes do not include sufficient detail of matters discussed and actions taken. The board minutes did not always include a description of resolutions passed. In addition, the minutes did not always contain information required by law, such as records of votes taken and members in attendance.

Complete and accurate minutes provide an official record of board actions and decisions. Section 610.020, RSMo, states that "the minutes shall include the date, time, place, members present, members absent, and a record of votes taken".

D. On June 5, 1998, the Board of Aldermen held a special meeting with the city of St. Peter's Board of Aldermen. No minutes were prepared of this meeting. City officials indicate this was a social gathering of the two cities; however, both cities posted a notice and tentative agenda for this meeting.

Section 610.020, RSMo, requires minutes of open meetings to be taken by the public governmental body.

E. During our review of notices of meetings, the following concerns were noted:

1) The city normally holds its regular board meetings on the first Thursday of each month, and a work session on the second Tuesday of each month. According to city officials, the work session is a continuation of the regular board meeting. Documentation that notice was given of the board meetings could not be located for several meetings. The city's policy is to send the notice to the two local newspapers and to the post office and the local community college to be posted for regular meetings; however, notice is not always sent for work sessions. City personnel indicated the agenda from the regular meeting would still apply since the work session was a continuation of that meeting, and notice of the date and time was not posted since it was announced at the end of the regular meeting. In addition, the agenda was not posted at the college for several meetings due to a change in personnel at the college.

2) Copies of the tentative agendas are not maintained by the city attorney who is the official record custodian for the city. One of the petitioners asked to review agendas and the City Attorney indicated the city did not keep agendas as part of its official records. The City Clerk had a file of agendas, but apparently these were not made available to the petitioner.

3) Some ordinances and resolutions to be considered by the Board of Aldermen were not included on the tentative agendas posted. In order to allow citizens to voice their opinions on proposed ordinances and resolutions, they should be made aware of their consideration. The City Attorney indicated that he believed the law required tentative agendas only and that all ordinances and resolutions were not required to be included. The attorney indicated that the city is now trying to ensure all items are listed.

Section 610.020, RSMo, requires all public governmental bodies to give notice of their meetings at least twenty-four hours in advance through the news media or posting notice of the meeting. The notice is to include the time, date, and place of the

meeting, as well as the tentative agenda. In addition, the notice is required to be posted at the principal office of the city or the building in which the meeting is to be held. To document compliance, the City Clerk should document the date, time, and location the notice was posted and retain this with the minutes. In addition, the city officials should try to ensure the public is made aware of all proposed ordinances and resolutions by including them on the tentative agenda posted.

F. The city has not formally established a policy regarding access to city records. The City Attorney, who serves as the official custodian of city records, has established some written rules for accessing the records; however, these rules have not been officially adopted by the Board of Aldermen.

Section 610.023, RSMo 1994, indicates that each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records and establishes guidelines for making city records available to the public. To ensure compliance with state law, the city should adopt formal policies regarding the location of city records, the persons responsible for maintaining each record, and procedures for citizens to request access to public records and how the city will handle these requests.

Written policies would establish procedures for the residents to follow and the cost for the requested information. In addition, written policies would help avoid misunderstandings regarding the availability of public city records.

G. The mayor did not vote on the issue of whether to grant a conditional use permit allowing a telecommunications tower to be placed on property owned by the mayor's brother. In addition, the mayor and the aldermen indicated that the mayor did not preside over that portion of the Board of Alderman's meeting dealing with that issue. However, the minutes of the meeting did not reflect that the mayor did not preside over that portion of the meeting.

WE RECOMMEND the Board of Aldermen:

A. Ensure minutes are approved for all meetings and require the City Clerk and Mayor to sign the board minutes to attest to the accuracy and completeness.

B.1. Ensure minutes are prepared for all closed meetings.

2. Ensure minutes and agenda state the specific reasons for going into a closed session, as required by state law.

C. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.

D. Ensure minutes are prepared, approved and maintained for all meetings, including special meetings.

E. Post notices, with tentative agendas for all meetings of the board at the principal office of the city or the building in which the meeting is to be held and retain adequate supporting documentation to demonstrate that the board provided the proper notice and tentative agendas. In addition, the board should ensure all proposed resolutions and ordinances are reflected on the tentative agendas posted.

F. Develop written policies regarding procedures to obtain access to, or copies of, public city records.

G. Ensure the minutes of board meetings accurately reflect when the mayor is present but declines to preside. Such documentation is particularly important when an issue includes a relative of the mayor.

AUDITEE'S RESPONSE

A. The city will ensure that minutes are approved for all meetings. Although not required by law, the city will consider the Auditor's recommendation that the City Clerk and Mayor sign the minutes in addition to Board of Aldermen approval of the minutes.

B.1. Minutes for closed session are not required by law. The city's Board of Aldermen does not take votes or make decisions in closed session. Such votes and decisions are reserved for open session. The city's minutes do reflect that discussions were held in closed session but that no decisions were made in closed session. No further minutes for closed session are required or necessary.

B.2. The city has been in compliance with this legal requirement and the city will continue such compliance.

C.,D.
E&G. The city accepts these recommendations.

F. The city does have a written policy regarding access to city records. Such policy is in the form of rules established by the custodian of records. The rule making authority of the custodian of records has recently been confirmed by ordinance.

AUDITOR'S COMMENT

B. The minutes of the meetings normally state the three general reasons for going into closed session. The specific reason for going into closed session is not documented.

2. City Ordinances and Resolutions

A. Improvement is needed in the organization of the city's ordinances. The city's ordinances have not been codified, thus hindering the city's ability to locate specific ordinances. There were several ordinances missing from the official ordinance books. In addition, during our review of ordinances, we noted the following concerns:

1) We noted several ordinances which appear to be outdated:

* During the year ended December 31, 1998, the City Clerk/Court Clerk and the Treasurer were paid $15,000 and $8,454, respectively. City ordinance 159, dated June 3, 1993, established the annual salary of the city clerk/court clerk and the treasurer at $10,800 and $7,800, respectively. The City Clerk indicated the salary increases were approved by the board through their approval of the budgets each year, however, the ordinances have not been updated.

* Ordinance 14 provides for notice of special meetings of the board of aldermen to be posted at six locations throughout the city; however, several of these locations no longer exist.

* Ordinance 106 provides for the regular meeting of the board of aldermen to be held each Thursday of the month; however, the regular meeting of the board is held on only the first Thursday of each month.

* During the year ended December 31, 1998, the prosecuting attorney was paid $100 per hour. City ordinance 36 established an hourly rate of $60 per hour for the prosecuting attorney. The written contract with the city attorney/prosecuting attorney establishes an hourly rate of $100 per hour, but the ordinance has not been updated.

2) The city has not adopted ordinances to address such items as personnel policies and salaries of the police officers.

Since the ordinances represent the legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances. Such items as compensation of city employees, and personnel policies and procedures, should be set forth in the ordinances to give taxpayers information on how the city is to be governed. Section 79.290, RSMo, requires the board of aldermen to fix the salaries of all city employees by ordinance.

B. At least three ordinances were passed by the Board of Aldermen without the proper number of votes. Each of these ordinances passed with a vote of two yes and two absent. Section 79.130, RSMo, requires ordinances to be approved by a majority of all the members of the board of aldermen. Thus passage of an ordinance requires three favorable votes of the board, or in the case of a tie, the mayor can cast the third positive vote.

C. City ordinance 282 indicates "video recording shall not be permitted of any meetings of the Board of Aldermen, Planning and Zoning Commission, Board of Adjustment or other public board or commissions of the City unless two-thirds of the members thereof present shall vote in favor of allowing such video recording". Attorney General's Opinion No. 151, 1995 to Wiggins, states that a city council does not have the authority to prohibit citizens from videotaping an open meeting in an unobtrusive manner. The city attorney indicated the board was made aware of this opinion and chose to leave the ordinance as it is.

WE RECOMMEND the Board of Aldermen:

A. Update and codify the city's ordinances and ensure a complete set of ordinances is maintained. In addition, the board should pass ordinances to address such items as compensation of employees and personnel policies.

B. Ensure the required number of positive votes is received for the passage of ordinances.

C. Review city ordinance 282 and Attorney General's Opinion 151 with legal counsel and make necessary revisions.

AUDITEE'S RESPONSE

A. Although not required by law, the city intends to update and codify its ordinances as recommended when the city is financially capable of doing so. The city has investigated codification and has been advised that it will cost approximately $7,000. Such expenditure of the taxpayers' money will have to be budgeted in a year when such funds are not required for critical public services such as police protection. The city will ensure that a complete set of ordinances is maintained. The city has recently updated its ordinances on compensation of employees as recommended. Although not required by law, the city will consider the recommendation that it pass ordinances on personnel policies.

B. The city accepts this recommendation.

C. An Attorney General's opinion does not constitute law in the State of Missouri. The city believes that its ordinance on this subject is in compliance with law. If, in the future, the

Missouri legislature or courts should require that videotaping be allowed without consent of the Aldermen, the city will of course comply with the law.

3. Disbursements

A. The board minutes do not normally contain indication of board approval for disbursements, and the board does not normally review invoices before payment. A financial report, summarizing disbursements by fund and by classification, is prepared monthly by the budget officer for the preceding month's activities; however, this report is not seen and approved by the board prior to the disbursements being made, and is not included with the official minutes of the board's meetings. City ordinance 137 authorizes the mayor to direct the treasurer to make disbursements not to exceed $2,500 per month, and city ordinance 235 authorizes the mayor, city clerk, and treasurer to pay recurring expenses without approval of the board of aldermen. The mayor, city clerk, and treasurer are authorized to sign checks and the budget officer prepares the financial report and prepares the monthly bank reconciliation.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board members to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made. Failure to properly review all invoices and supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring.

B. City ordinance 362 requires formal competitive bids to be obtained for any proposed capital expenditure for the purchase of vehicles, material or construction labor having a cost in excess of $5,000. The city's ordinance does not address disbursements which do not exceed $5,000; however, city officials indicated they do obtain price quotes for large purchases. The need for price quotes appears to be determined on an item by item basis. Documentation was not available to ensure prices quotes were obtained for the following disbursements:

Item	Amount
Radio equipment	$ 4,632
Computer	1,937

Formal bidding procedures for major purchases would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach

is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

C. The city paid an engineering firm approximately $302,497 and $209,174 for the years ended December 31, 1998 and 1997, respectively. This engineering firm designates an employee to serve as "City Engineer" for the city and provides services by other employees as needed. The city entered into a written agreement with this firm on December 18, 1986, which establishes various compensation schedules for the services to be provided. The contract provides a schedule of fees for specific services to be provided such as zoning applications, site plan review, etc. and provides compensation for optional services and construction inspections for the time and expense actually spent at the rates established in the exhibit attached to the contract. During our review of payments to this engineering firm, we noted the following concerns:

1) The city entered into several additional contracts with this firm during 1997 and 1998 for large highway/street projects. The city did not solicit proposals for these engineering contracts.

   Sections 8.289, and 8.291 RSMo, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated on specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

2) Several of the contracts for the highway/street projects are simply for lump sum amounts and the others are for time and expenses actually spent plus a fixed fee. It would appear difficult for the city to determine if these amounts are reasonable without obtaining proposals from other firms. In addition, it would appear these contracts would be considered additional services as designated under the original contract and should have been compensated at the rates established by that contract. This contract does not appear to allow for an additional fixed fee. Engineering costs represented from 15 to 21 percent of the total costs of the projects.

   In addition, the hourly rates currently charged by the engineering firm for the additional services did not comply with the original contract. The City Engineer indicated these rates are the "standard hourly charge out rates" established by their firm each year; however, the contract does not appear to provide for this schedule to be updated annually.

   The city should ensure the payments to the engineering firm comply with all provisions of the contract agreement.

D. The city did not have formal written agreements with some companies and individuals providing services. During the two years ended December 31, 1998, the following amounts were paid for various services without a contract or adequate written documentation:

Construction of walking trail	$10,000
Special counsel	5,299
Sewer study	3,239

Formal written agreements are necessary to document each party's duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires political subdivisions' contracts be in writing.

E. In February 1998, the city purchased nine acres of land on which to build a city hall and police station for approximately $294,000. The city did not advertise that it was looking for available land to purchase and the city purchased the property without obtaining an independent appraisal. As a result, there is less assurance the price paid for the property was reasonable or represented the fair value of the property.

F. The city paid an accounting firm approximately $21,635 and $17,800 for the years ended December 31, 1998 and 1997, respectively. The city entered into written agreements with this firm each year. The agreements provide total amounts to be paid for specific services (budgets, bank reconciliations, etc.), and an hourly rate for additional services not specified in the agreement. The amounts paid for the two years ended December 31, 1998, did not agree to the written agreements for the specific services. In addition, the agreements did not specify the hourly rate to be charged for the specific services, and the invoices from the firm did not show the hours worked. It would appear difficult for the city to determine if these amounts are accurate or hours reasonable without reviewing the hours worked on each area of service.

The city should ensure the payments to the accounting firm comply with the provisions of the agreements. In addition, the city should require the accounting firm to include the number of hours billed for each type of service and review these hours for reasonableness.

G. During the two years ended December 31, 1998, approximately $211 of disbursements were made for which a public purpose was not demonstrated or documented. Monies were spent on flowers for illnesses and condolences, and a donation to a scholarship fund.

The disbursements do not appear to be necessary and prudent uses of public funds.

WE RECOMMEND the Board of Aldermen:

A. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes, and requiring supporting documentation be reviewed by the board or someone independent of the disbursement process before payment is made.

B. Consider expanding their current bid policy to include less formal bid requirements for various price levels under the $5,000 currently established.

C. Solicit proposals for engineering services in accordance with state law and ensure payments to the engineering firm comply with the written contract.

D. Enter into written agreements for all services.

E. Obtain an independent appraisal for any property being considered for purchase.

F. Ensure payments to the accounting firm comply with the written agreement. In addition, the Board of Aldermen should require the accounting firm to document the number of hours being billed for each service, and ensure these hours are reviewed for reasonableness.

G. Ensure disbursements are a necessary and prudent use of public funds.

AUDITEE'S RESPONSE

A. Disbursements-Most of the expenditures paid by the City Treasurer are covered under City Ordinances 137 and 235. To have bills pre-approved and timely paid is difficult to comply with. However, the city will take action to comply as best as it can under the circumstances.

B. The law does not require a fourth class city to engage in competitive bidding. None the less, the city has enacted a competitive bid ordinance. Therefore, the city has already done more than is required by law. The city will consider the recommendation that its voluntarily imposed bidding ordinance be made even more stringent, although that is not required by law.

C&D. The city accepts these recommendations.

E. Although not required by law, the city will consider this recommendation.

F. Disbursements: The annual agreement provides for total amounts to be paid for specific services as outlined in the annual engagement letter provided that certain documents are received in a complete manner and on a timely basis. An hourly rate for "additional services" is specified in the agreement at a billing rate of $75 per hour. The additional services as noted in the engagement letter for 1997 and 1998 refers to all additional services and does not limit itself to services covered or not covered in the agreement. It is the intention that all additional services are to be billed at $75 per hour. Additional services

have the hours noted in most occasions and when they are not, the hours can be derived by dividing the dollar amount by $75 an hour.

On future billings all line items will give a notation as to hours being billed.

G. The city does not agree that its minuscule expenditures for sympathy cards and flowers for seriously ill or deceased employees is an unnecessary or imprudent use of public funds.

4. Loan Agreement

In August 1997, the city entered into a loan agreement with the Mayor's brother. The Mayor's brother agreed to loan, interest free, such sums of money to the city as the city may request during the years 1997 through 2000, not to exceed $500,000. In February 1998, the city borrowed $284,295 through this agreement to finance the purchase of the property to be used to build a city hall. This loan was entered into without a vote of the city taxpayers.

Article VI, Section 26(a), of the Missouri Constitution states:

> *No county, city, incorporated town or village, school district or other political subdivision of the state shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years, except as otherwise provided in this constitution.*

Article VI, Section 26(c), of the Missouri Constitution allows cities to incur debt by bond issue only after approval of two-thirds of the qualified electors voting thereon. City officials indicated that before the money was borrowed, legal advice was obtained and since the borrowed amount was less than the total estimated revenues for 1998 plus the unencumbered balance from the previous year, the loan was legal. However, much of the city's balance and anticipated revenue was already obligated for 1998. Additionally, extending the contract over a period of 20 years without the right of withdrawal obligates the city for future periods. The city is obligated to make $14,215 in annual debt payments. This transaction appears to violate the intent of the Missouri Constitution on legal indebtedness absent a vote of city taxpayers.

WE RECOMMEND the Board of Aldermen not enter into such long-term debt without the vote of city taxpayers.

AUDITEE'S RESPONSE

The City disagrees with the State Auditor's legal conclusion that the city's loan agreement appears to violate the intent of the Missouri Constitution. Although the State Auditor quotes Article VI Section 26(a) of the Missouri Constitution, set forth below, the State Auditor chooses to ignore the important clause of that Section which the city has shown in bold print.

*"No county, city, incorporated town or village, school district or other political subdivisions of the state shall become indebted **in any amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years**, except as otherwise provided in this constitution."*

The State Auditor and the city agree that the last phrase "... except as otherwise provided in this constitution" means a vote of the people in this context.

In the city's opinion, the bolded phrase sets a bench mark for the amount a municipality may borrow without a vote of the people. The reason for this is two fold. First, it sets a limit on how much the city's Board of Aldermen can cause the city to go into debt on their own. Any debt in excess of that bench mark should be approved by a public vote before it is incurred. Second, it allows the Board of Aldermen to incur debt below that bench mark without having to go through the time consuming and expensive (about $7,000) process of submitting the proposed debt to the voters at an election . This seems clear and reasonable.

However, the State Auditor's opinion on this topic infers additional requirements concerning budgets and expenditures that do not appear in Article VI Section 26(a) of the Missouri Constitution. During a conference, the State Auditor's representatives verbally informed the city that the city had failed to comply with the intent of Section 26(a) because, in the opinion of the State Auditor, a public vote is required for a municipality to borrow any money if that municipality has budgeted its projected revenues and unencumbered balances for expenditure, regardless of the italicized phrase in section 26(a). The city asked the State Auditor's representatives if this would mean that a municipality could borrow money without a public vote only if the municipality had a surplus of money at least equal to the amount to be borrowed. The State Auditor's representatives concurred with that extension of their logic. The city then asked the State Auditor's representatives if it would be fiscally imprudent for a municipality to borrow money and pay interest when it already had a surplus of that amount of money. The State Auditor's representative replied that such an action would seem to be imprudent. The foregoing conversation demonstrates the illogic of the State Auditor's position. For the State Auditor's opinion to be correct, one would have to assume that the drafter's of Section 26(a) intended either that (1) municipalities should only borrow money without a vote when they don't need the money since they already have it, or (2) the italicized part of Section 26(a) inserted for no reason and is meant to be ignored. The illogic of those assumptions is underscored by the fact that nowhere in Section 26(a) is there any reference to budgets or expenditures. They are simply not part of the calculation set forth in Section 26(a). The city believes that the city's interpretation of Section 26(a) is more logical that the State Auditor's interpretation. Therefore, the city respectfully disagrees with the State Auditor's legal conclusion.

AUDITOR'S COMMENT

The State Auditor's office has decades of experience with Article VI, Section 26(a) of the Missouri Constitution because the State Auditor is charged with registering local municipal debt that is authorized under the various subsections of this provision. The only type of financial obligation a municipality may incur under this section without voter approval is one that can be paid out of current revenues or surplus. This allows municipalities to borrow without voter approval by issuing

tax anticipation notes that can be paid out of anticipated current revenues. If a note, obligation, or debt cannot be paid out of current revenues and surplus by year end, then the municipality has violated the constitution by incurring debt, i.e. spending more that it had to spend.

5. Receipt Procedures

A. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

B. Rezoning application deposits do not appear to be handled in accordance with City Ordinance 291, Section 2, which states:

> *. . . applicants for rezoning shall henceforth be required to make a deposit of $300 towards publication costs. Such deposit shall be used by the City to pay for the actual publication and processing expenses incurred by the City in publishing legal notices and processing such rezoning application. In the event that there is any sum remaining of said deposit after payment of actual publication and processing expenses, such sum shall be refunded to the applicant. In the event that such publications and processing expenses shall exceed the deposit by the applicant, the applicant shall be obligated and required to pay to the City such excess amount of actual publication and processing expenses as a prerequisite for the granting of such rezoning application.*

City officials indicated they do not monitor these costs. The $300 is treated as a fee for the rezoning application and deposited to the general fund. The Board of Aldermen should develop procedures to monitor the publication and processing expenses affiliated with the zoning application, refund any excess deposits, and collect any excess expenses as required by their ordinance or revise the ordinance.

C. During the three years ended December 31, 1998, the city deposited $14,524 in waiver fees into the General Fund. City ordinance 52, Section 5.10(f) states:

> *If requested by the Developer or by the Village of Cottleville, the City at its option, may waive the construction of a detention basin for the development. If the waiver is granted, the developer shall pay an amount equal to $1,000 per acre for the tract of land the development is to occur on.*

City ordinance 49 indicates this money is to be used in a public improvement fund for maintenance and construction of public improvements

During our review of these fees, we noted the following concerns:

1) The city has not established a separate fund or separate accounting for these receipts and related disbursements.
To ensure compliance with city ordinance, the city should establish a separate fund or accounting of receipts of waiver fees and ensure these receipts are used only for the purposes allowed by city ordinance.

2) As of December 31, 1998 the $1,000 per acre had not been collected for one of the waivers granted by the Board of Aldermen in 1997. City officials indicated the city ordinance does not specify when this money is to be collected, and does not indicate who is responsible to ensure it is collected. The Mayor indicated the developers often wait until the development is complete to pay this money to the city and this development is not yet complete.

   To ensure these fees are collected in accordance with the city ordinance, the Board of Aldermen should establish procedures to indicate to whom this fee should be paid and when the fee is due.

3) During our review of the two waivers granted during the two years ended December 31, 1998, we noted the city's reasons for granting this type of waiver were not documented in the minutes of the Board of Aldermen, or the City Engineer's files. The City Engineer indicated these waivers were granted due to the location of these properties. He indicated they were located near the flood plain, thus it would not be feasible to comply with the ordinance.

   To ensure this waiver is applied fairly to all developers, the Board of Aldermen should ensure their reasons for granting the waiver are fully documented.

D. City ordinance 134 requires the developer to post a lenders or escrow agreement insuring or guaranteeing the stabilization and revegetation of the site. The August 21, 1997, minutes indicate the board waived this escrow agreement for a local not-for-profit organization. According to city personnel, the escrow agreement was waived because the work done involved only leveling and seeding lots into playing fields. In addition, the city engineer, indicated the Board of Aldermen sometimes lowers the escrow amount required if the developer provides the city with an estimate of the cost of the revegetation of the site. City ordinance 134 does not establish a policy which allows the Board of Aldermen to waive or lower this requirement. In addition, the Board of Aldermen did not clearly reflect why this requirement was waived in this case.

   To ensure this ordinance is applied fairly to all developers, the Board of Aldermen should establish a formal policy which indicates the conditions in which this

requirement will be waived or reduced, and ensure their reasons for granting the waiver are fully documented.

WE RECOMMEND the Board of Aldermen:

A. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

B. Develop procedures to monitor the actual publication and processing expenses associated with each zoning application, to refund any excess deposit, and to bill developers for any excess expenses.

C.1. Establish a separate fund or accounting of receipts of waiver fees and ensure these fees are used only for the purposes allowed by city ordinance.

2. Establish procedures to indicate to whom and when the waiver fee should be paid.

3. Ensure the reasons for granting waivers are fully documented.

D. Establish a formal policy which specifies the conditions in which the escrow agreement required by city ordinance 134 will be waived or reduced, and ensure their reasons for granting the waiver are fully documented.

AUDITEE'S RESPONSE

A. Receipt procedures-Checks and money orders are being endorsed immediately upon receipt, even though not required by the statute.

B,C, & D. The city accepts these recommendations.

6. Interest on Highway Funds

In December 1994, the city entered into a contract with St.Charles County to provide funding for a highway project. During the three years ended December 31, 1997, the city received $1,087,500 from St. Charles County for this project. The county paid these monies to the city in monthly increments as stated in the contract. The city has invested these funds in certificates of deposit until the funds will be needed for the project. During the two years ended December 31, 1998, the city transferred $38,974 of interest income earned on these investments to the city general fund.

The contract does not specify how the interest on these funds is to be handled. City officials indicated the interest was transferred in an attempt to recoup some of their administrative expenses; however, the contract does not provide for the city to claim their administrative expenses. County officials indicated they did not intend for the city to keep the interest on

these funds, and, that if the city required additional funds for this project, they would require them to first use the interest that should have accumulated.

While the city has not violated any contract provisions, the transfer of these interest monies could create future problems with the county regarding any additional funding for this project. The funds of the city are established as separate accounting entities to account for specific activities of the city. Generally accepted accounting principles require revenues and expenses associated with specific activities be reflected in the fund established to account for those activities. The city should reserve the interest funds with the highway monies until the completion of the project. The accumulated interest funds could then be used for any cost overages encountered.

WE RECOMMEND the Board of Aldermen require the City Treasurer to credit the interest on the highway funds to those funds.

AUDITEE'S RESPONSE

Although not required by law or by contract with the St. Charles County Road Board, the city has segregated such interest and the city has assured the Road Board in writing that the interest will be accounted for.

7. Municipal Court Division

A. The Court Clerk does not prepare monthly open-items listings of bonds held in the bond account. We prepared a listing as of December 31, 1998, which indicated open items in excess of the bank balance by approximately $600. This shortage appears to have been carried forward from a shortage noted in our prior audit.

Monthly open-items listings should be prepared and reconciled to the bank accounts to ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities.

B. During our review of fine and cost receipts, we noted the following concerns:

1) The duties of receiving, recording, and depositing fine and court cost monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. This review should include accounting for the numerical sequence of receipt slips issued, and reconciliation between the composition of receipt slips issued by

the court and the composition of monies deposited to the municipal court division bank account.

2) The police department accepts payments for fines and costs when the Court Clerk is unavailable. The police department issues a prenumbered receipt slip for all monies collected; however, the Court Clerk does not account for the numerical sequence of all police department receipt slips. To ensure all monies received by the police department are transmitted to the court, the numerical sequence of police department receipt slips should be accounted for properly, and the composition of receipt slips issued should be reconciled to the composition of monies transmitted.

3) The municipal court division accepts cash, checks, and money orders for the payment of fines and court costs. Receipt slips are issued by the clerk; however, no reconciliation is performed between the composition of receipt slips issued and the monies deposited. During our review, we noted a check which was deposited but was not receipted by the court and one deposit for $20 less than the receipt slips issued.

To ensure receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of deposits. This type of reconciliation would ensure the types of errors noted above are identified and corrected on a timely basis.

C. The Court Clerk prepares a court docket which includes all cases commenced before the Municipal Judge; however, these court dockets do not always indicate the disposition of all cases. To ensure the proper disposition of all cases has been entered into the court records, the disposition of all cases should be recorded on the court docket and subsequently reviewed by the Municipal Judge.

D. During our review, we noted five cases in which the amount of fines and costs assessed was greater than the fine and cost schedule authorized by the Municipal Judge. The Court Clerk indicated she had mistakenly used an outdated schedule on these cases. All fines and costs paid at the Traffic Violation Bureau (TVB) should be in accordance with the fee schedule authorized by the Municipal Judge to ensure fines and costs are fairly assessed to all violators and compliance with state law.

E. Neither the police department nor the court adequately accounts for the numerical sequence and ultimate disposition of tickets issued. The police department does have a computer system where they enter all tickets issued, except parking tickets issued by non-commissioned police officers. The computer system has the capability of listing tickets in numerical sequence; however, no one reviews this information for missing ticket numbers, nor is the disposition of the tickets noted.

Without a proper accounting of the numerical sequence and ultimate disposition of all tickets issued, the police department and the court cannot be assured all tickets issued were properly submitted to the court for processing, voided, or not prosecuted. A record of the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly.

Conditions A, B.1., C, and D were also noted in our prior report of the municipal court.

WE RECOMMEND the city of Cottleville Municipal Court Division:

A. Prepare and reconcile monthly open-items listings to the court's bank accounts. In addition, the shortage noted above should be investigated to determine the proper resolution of these monies.

B.1. Establish a documented review of municipal court division records by an independent person.

2. Account for the numerical sequence of all police department receipt slips and reconcile the composition of receipt slips issued to the composition of monies transmitted.

3. Reconcile the composition of receipt slips issued to the composition of monies deposited.

C. Require the disposition of all cases to be documented on the court docket and approved by the Municipal Judge.

D. Assess fines and costs in accordance with the fee schedule authorized by the Municipal Judge.

E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

A. A monthly listing of open items will be prepared and reconciled to the court bank accounts even though not required by statute.

The shortage, if appropriate, will be reimbursed by the General Fund.

B.1. Although not required by law, the city will establish a documented review of the Municipal Court Division records by an independent person as is practical in the circumstances.

2. Although not required by law, the city will account for the numerical sequence of all police department receipt slips and reconcile the composition of receipt slips to the composition of the monies transmitted.

3. Although not required by law, the city will reconcile the composition of receipt slips issued to the composition of monies deposited.

C,D, &E. The city accepts these recommendations.

This report is intended for the information of the management of the city of Cottleville and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

CITY OF APPLETON CITY, MISSOURI

YEAR ENDED SEPTEMBER 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-18
March 23, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Appleton City, Missouri.

NOTE: Recommendations as well as responses from the city which correspond with the findings below are included in the audit.

The city did not have formal written bid policies and procedures. There were significant problems with accounting controls and procedures including failure to perform reconciliations of account balances, billings and collections for the utility system.

Payroll was not correctly calculated for employees contributing to a deferred compensation retirement plan and there needs to be a formal policy for public access to city records.

The Depreciation and Replacement Account for the Waterworks and Sewer Fund is not properly funded. Revenues from the water and sewer system do not appear to cover the costs of operating the system. Timely audits are needed of the water and sewer system.

The city received reimbursements of $18,995 from a federal grant for community policing, that do not appear to have been allowable.

Historical information regarding the city of Appleton City's governmental structure can be found on pages 4-6.

See Summary of Findings on pages 8-9.

YELLOW SHEET

CITY OF APPLETON CITY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Appleton City
Appleton City, Missouri 64724

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Appleton City, Missouri. Our audit of the city included, but was not limited to, the year ended September 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

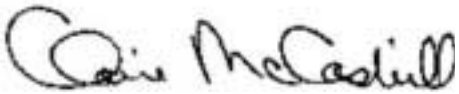
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Appleton City, Missouri.



Claire McCaskill
State Auditor

November 19, 1998

HISTORY AND ORGANIZATION

CITY OF APPLETON CITY, MISSOURI
HISTORY AND ORGANIZATION

The city of Appleton City is located in St. Clair County. The city was incorporated in 1870 as a fourth-class city. The population of the city in 1990 was 1,299.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two year term, presides over the Board of Aldermen meetings, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at September 30, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended September 30,1998
Frank Barker, Mayor (1)	April, 2000	$ 1,375
Lois Van Buskirk, Alderwoman	April, 1999	350
Rick Bourland, Alderman (2)	April, 2000	0
Nancy Gardner, Alderwoman (3)	April, 2000	0
Paul Noble, Alderman (4)	April, 1999	0
Other Principal Officials		
Sandra Farley, City Clerk (5)		$ 4,082
Dorothy Todd, Treasurer		11,662
Stacy Minks, Police Chief		22,802
Patricia Roberts, Utility Clerk		12,510
Gerald Fennewald, Public Works Supervisor (6)		17,409

(1) Replaced Jim Rhea in April 1998.
(2) Replaced Paul Edmondson in April 1998.
(3) Replaced Joe Pierce in April 1998.
(4) Appointed to replace Frank Barker in July 1998 after Frank Barker was elected Mayor in April 1998.
(5) Hired in July 1998 to replace Rick Cook who resigned in May 1998.
(6) Replaced Karl Sielman in November 1997.

The city employs approximately 10 full and part-time employees.

Assessed valuation and tax rate information for the tax year 1998 is as follows:

ASSESSED VALUATION

Real Estate	$ 4,324,669
Personal	1,784,179

Total	$ 6,108,848

TAX RATES PER $100 ASSESSED VALUATION

General Revenue	$ .61
Library	.21
Police and Fire	.18
Parks and Recreation	.34
Total	1.34

The city had the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	.00875	None
Streets	.01000	1999

A summary of the financial activity for the city of Appleton for the year ended September 30, 1998, is presented on the next page.

	General Fund	Street Fund	Police Fund	Water and Sewer Funds	Other * Funds	Total
RECEIPTS						
Sales tax	$ 60,387	69,907	0	0	0	130,294
Property tax	35,856	0	6,878	0	23,693	66,427
Water and sewer	0	0	0	234,429	0	234,429
Intergovernmental	38,981	50,677	0	0	0	89,658
Court fines and costs	0	0	13,315	0	0	13,315
Transfers in	0	0	45,000	0	0	45,000
Other	28,305	1,015	2,042	6,889	46,131	84,382
Total Receipts	163,529	121,599	67,235	241,318	69,824	663,505
DISBURSEMENTS						
Salaries and fringe benefits	46,590	17,521	79,963	39,953	35,188	219,215
Utilities	22,590	357	3,502	1,742	4,566	32,757
Street maintenance and materials	0	97,174	0	0	0	97,174
Bond principal and interest	0	0	0	29,950	0	29,950
Water purchases	0	0	0	143,419	0	143,419
Transfers out	45,000	0	0	0	0	45,000
Other	22,189	13,736	34,838	46,035	22,269	139,067
Total Disbursements	136,369	128,788	118,303	261,099	62,023	706,582
RECEIPTS OVER (UNDER) DISBURSEMENTS	27,162	-7,189	-51,068	-19,781	7,801	-43,075
CASH AND CASH EQUIVALENTS, OCTOBER 1,	10,685	99,700	-37,285	42,990	27,366	143,456
CASH AND CASH EQUIVALENTS, SEPTEMBER 30,	$ 37,847	92,511	-88,353	23,209	35,167	100,381

*Includes the following funds: Fire, Parks and Pool, and the Rural Economic Assistance Program (REAP).

MANAGEMENT ADVISORY REPORT

CITY OF APPLETON CITY, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 10-13)

   The city does not have formal written bidding polices and procedures. Bids were not solicited or bid documentation retained for purchases totaling over $57,000, and proposals for some professional services were not solicited. Adequate documentation was not maintained to support some disbursements and the city did not have formal written agreements with some companies and individuals providing services. The city did not prepare IRS 1099-MISC forms for some applicable situations. Appraisals were not obtained for land purchases.

2. Community Oriented Policing Services (COPS) Grant (pages 13-14)

   The city received reimbursements of $18,995 from a federal grant which did not appear allowable.

3. Accounting Controls and Procedures (pages 14-16)

   Duties are not adequately segregated for utility and property tax collections. Reconciliations of account balances, billings, collections, and adjustments are not performed. Monthly and annual reports of property taxes are not submitted to the Board of Aldermen as required by state law. Listings of monthly disbursements are not signed or initialed to indicate the board's approval.

4. Waterworks and Sewer System (pages 16-17)

   The Depreciation and Replacement Account is not properly funded. Revenues from the water and sewer system do not appear to cover the costs of operating the system. The city has not ensured timely annual audits of its water and sewer system were performed.

5. Payroll and City Policies (pages 17-18)

   The city incorrectly calculated payroll for city employees contributing to a deferred compensation retirement plan. The city did not have supporting documentation for compensatory time payments totaling $5,961. The city does not have a formal policy regarding public access to city records.

6. Budgets and Financial Reporting (pages 18-19)

   Budgets do not meet some statutory requirements. The city does not publish financial statements as required by state law. Board minutes are not signed.

7. Traffic Violations (pages 19-20)

Receipt slips are not issued for some monies received by the city for fines and court costs. The city does not obtain receipt slips for monies it transmits to the associate court. Neither the police department nor the court maintains adequate records to account for all traffic tickets issued by the police department.

8. City Property (pages 20-21)

The city has not established a detailed record to account for fixed assets owned by the city. The city's oil distributor was sold without documentation of board approval.

1. Expenditures

A. The city does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the city did solicit bids for many significant purchases, we noted the following purchases for which no bid documentation was retained:

Used road grader	$26,000
Rock	24,340
City Hall repair	4,641
Pool supplies	2,380

Formal bidding procedures for major purchases would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

B. The city did not solicit requests for proposals for some professional services. Without requesting proposals for professional services, the city has not ensured it has received quality services at a fair price.

1) The city hired two law firms to provide various legal services and to serve as the city's prosecuting attorney. The firms were paid approximately $12,840 during fiscal year 1998.

2) A lobbyist was hired to help the city get selected as the site of a new state prison. The lobbyist was paid $3,500 for his services. No invoices or contract was available to support these payments. In addition, payments to the lobbyist were not included on disbursement listings or in board minutes which are reviewed and approved by the board.

3) The city hired two engineering firms to provide various services for the city. The firms were paid approximately $3,160 during fiscal year 1998. Section 8.289, RSMo 1994, requires that agencies or political subdivisions which utilize engineering or land surveying services request annual statements or qualifications and performance data from firms. Section 8.291, RSMo 1994,

further requires that when negotiating for a contract, the agency or political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.

C. 1) No supporting documentation, such as receipts or invoices, was available to support payments totaling $25,319 to the prior public works supervisor and some of his relatives. We discussed this matter with the former public works supervisor and he stated that adequate supporting documentation had been submitted to the city. However, the only documentation available at the city to support the expenditures were notations made by the treasurer in the fund ledger. Supporting documentation was not available for the following payments:

Amount	Description on ledger	Month
$ 1,500	Contract labor	October 95
20	Phone	October 95
112	Mileage	October 95
400	Air compressor	November 95
540	Contract labor	November 95
133	Mileage	November 95
80	Coveralls	November 95
522	Reimbursement for Pipe	December 95
900	Contract labor	December 95
62	No description	December 95
1,200	Contract labor	January 96
1,200	Contract labor	February 96
120	Mileage and meal reimbursement	March 96
1,497	Sewer Work	March 96
879	No description	March 96
11,635	Sewer work	April 96
540	Contract labor	April 96
239	Mileage and meal reimbursement	April 96
375	Contract labor	June 96
210	Contract labor	July 96
45	Contract labor	October 96
444	Mileage	December 96
72	Mileage	February 97
1,118	Work on city hall	February 97
1,210	Contract labor	March 97
54	Mileage	March 97
62	Mileage	May 97
150	Back hoe repair	May 97

2) Supporting documentation was not maintained for several other purchases including the purchase of a road grader ($26,000), payments to a lobbyist for the prison ($3,500), and pool supplies ($2,380).

All disbursements should be supported by paid receipts and/or complete vendor provided invoices to ensure the obligation was actually incurred and the disbursement was an appropriate use of public funds. Invoices for services should include the number of hours worked by day, the work performed, the hourly rate being charged, and a list of any materials used, and the associated costs. Finally, the city should require that mileage reimbursement requests include the date, purpose, location traveled to and from, and total miles traveled.

D. The city has not entered into written contracts for various contracted services received. For example, the city has not entered into formal written contracts for repairs to city hall, sewer work, legal services or park mowing.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the goods or services to be provided and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties.

E. For calendar year 1997, the city did not prepare IRS 1099-MISC forms for some applicable situations such as lobbying services and construction work on city hall. In addition, form 1099s were not always sent as applicable for some of the payments noted in C. above.

Section 6041 of the Internal Revenue Code requires non-employee compensation paid of at least $600 in a calendar year to an individual or unincorporated business to be reported to the IRS.

F. In January 1996, the city purchased the lot next to city hall for $7,000. Also, in 1995 the city purchased a lot in town for $17,118. The city purchased this second lot to resell smaller individual lots. The city did not obtain an independent appraisal on the purchase of either property. As a result, there is less assurance the price paid for the property was reasonable or represented the fair value of the property.

WE RECOMMEND the Board of Aldermen:

A. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids.

B&C. Request proposals for professional services engaged by the city and obtain the information required by state law. We also recommend the board ensure adequate

supporting documentation is maintained to support all city disbursements, including documentation that all disbursements have been approved by the board.

D. Enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary.

E. Ensure IRS 1099-MISC forms are prepared and submitted as required.

F. Obtain an independent appraisal for any property being considered for purchase.

AUDITEE'S RESPONSE

A,D. &F. We will implement these recommendations.

B,C. &E. We have implemented these recommendations.

2.	**Community Oriented Policing Services (COPS) Grant**

The city received federal assistance from the U.S. Department of Justice under the COPS FAST program to increase the number of law enforcement officers. In May 1995, the city received a grant award of $45,166 for one additional full-time officer which increased the number of city officers to five. Under the grant provisions, the city was required to provide 25 percent of the cost of employing the additional officer until the grant expired on February 28, 1998.

However, since September 1996, the city has only employed and paid three or four officers. According to the grant requirements, the city no longer qualified for federal reimbursement under the COPS Fast Program after September 1996 since the city no longer employed a fifth officer. Based on city payroll records for the period of time the city employed a fifth officer, it appears the city spent $16,455 for salary and benefits of the officer. The city would have been required to pay 25 percent of this amount, leaving $12,341 to be reimbursed through the federal grant. However, the city requested and has received a total of $31,336 in grant monies. As a result, it appears the city owes $18,995 to the Department of Justice for excess reimbursements.

The Board of Aldermen should contact the applicable federal grantor agency to resolve this issue. In addition, the city should ensure future compliance with all federal regulations.

WE RECOMMEND the Board of Aldermen consult with the grantor agency to resolve this issue. In addition, the Board of Aldermen should ensure future compliance with all federal regulations and only claim reimbursement for allowable costs.

AUDITEE'S RESPONSE

We will implement these recommendations. In addition, we intend to increase oversight over the operation of the police department.

3. Accounting Controls and Procedures

A. The city operates a combined waterworks and sewer system that provides service to approximately 630 customers. A review of the city's utility billing and collection records and procedures disclosed the following concerns:

1. There is no independent oversight or adequate segregation of duties related to the city's utility system. The Utility Clerk performs all functions related to generating monthly utility bills, receipting, recording, and depositing utility payments, and making credit adjustments. In addition, documentation of credit adjustments is not retained.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments recorded and deposits, and an independent review and approval of credit adjustments and delinquent account follow-up.

2. The city does not reconcile beginning accounts receivable plus monthly billings, less total utility payments and adjustments, to the ending accounts receivable. The individual customer account balances could then be totaled and agreed to the ending accounts receivable balance. This would help to ensure all amounts have been properly recorded to individual customer account records and that delinquent balances are accurate.

B. Property tax collection duties are shared by the City Clerk and Utility Clerk. The City Clerk prepares and presents to the Board of Aldermen a report of delinquent taxes identifying the individual delinquent taxpayers and amounts owed; however, no report is prepared summarizing the amount of taxes to be collected, total collections, additions or abatements, and delinquent amounts. In addition, an independent

reconciliation of paid tax statements to amounts recorded on the general ledger and deposited in the bank is not performed.

Sections 79.310, and 94.320, RSMo 1994, require lists to be submitted to the Board of Aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of the delinquent taxes. Section 94.330, RSMo 1994, requires monthly reports of delinquent taxes collected to be submitted to the board. This section also provides the board may declare worthless any and all personal delinquent taxes they deem uncollectible.

A detailed annual report which complies with state law and is classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the tax collector, monthly collections, delinquent credits, abatements and additions. Without such a report, examined by the Board of Aldermen, any errors or irregularities that might occur are less likely to be detected. In addition, an independent reconciliation of paid tax statements to the amounts recorded on the general ledger and deposited in the bank would provide more assurance that all amounts collected were appropriately handled.

C. The City Treasurer prepares a listing of all disbursements made for the board to approve. These listings are not signed or initialed to indicate the board's approval. Good business practices require all disbursements to be closely scrutinized by the board and properly authorized. Failure to properly review supporting documentation and document the board's approval of disbursements increases the possibility of inappropriate disbursements occurring.

WE RECOMMEND the Board of Aldermen:

A.1. Segregate the duties of receipting and depositing monies from that of preparing bills and recording payments. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments deposited and recorded, and an independent review of and approval for credit adjustments and delinquent account follow-up.

2. Ensure records are maintained documenting beginning accounts receivable, plus billings, less payments and adjustments, and ending accounts receivable. In addition, the individual customer accounts receivable balances should be periodically reconciled to the ending accounts receivable balance.

B. Require monthly and annual reports be prepared as required by state law. The Board of Aldermen should examine the reports for propriety and accuracy. In addition, an independent reconciliation of paid tax statements to the general ledger and bank deposits should be performed.

C. Ensure detailed and complete listings of bills are prepared, the board's approval is reflected on the listing, and the listing is retained. In addition, the Board should ensure it performs adequate reviews of all disbursements and the supporting documentation.

AUDITEE'S RESPONSE

A&B. We have implemented these recommendations.

C. We will implement this recommendation.

4. Waterworks and Sewer System

In October 1987, the city issued $225,000 in revenue bonds to help finance the construction of extensions and improvements to the existing waterworks and sewer system. In conjunction with the issuance of the bonds, the city made certain covenants in the related bond ordinance. Our review of the Waterworks and Sewer Fund, the revenue bond covenants, and the city's compliance with those covenants disclosed the following concerns:

A. The revenue bond covenant requires the Depreciation and Replacement Account to be funded by a monthly transfer of $400 until the balance reaches $19,200. These funds shall be expended only for replacement of the existing sewerage system. However, the city has not been making the required monthly transfers since the balance went below $19,200 in November 1996. As a result, at the time of our review in November 1998, $9,600 was due the Depreciation and Replacement Account.

The failure of the city to adequately maintain the required reserve account could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds.

B. The 1987 bond covenant requires the city to maintain and collect rates, fees, and charges, sufficient to pay the cost of the operation and maintenance of the system; pay the principal of and interest on the bonds; and provide reasonable and adequate reserves for the payment of the bonds and the interest. For fiscal years ended September 30, 1997 and 1998, disbursements for operation and maintenance costs and principal and interest payments exceeded water and sewer receipts by $17,586 and $19,781 respectively. Also the combined cash balance of the water and sewer accounts has declined from $60,576 at October 1, 1996 to $23,209 at September 30, 1998.

The city needs to ensure the current rates are sufficient to pay all costs of operation and maintenance.

C. The city has not ensured timely annual audits of its water and sewer system are performed. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the water and sewer system, and the cost of the audits is to be paid from the revenues received from the system. The last audit report issued on the system covered the year ended September 30, 1995. An audit of the two years ended September 30, 1997 is currently underway.

Besides being required by state law, timely audits of the Waterworks and Sewer Fund (and other city funds) would better enable the city to:

1. Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.

2. Determine the propriety and accuracy of its financial transactions.

3. Ensure revenues of the sewer system are adequate to meet the expenses of providing this service.

WE RECOMMEND the Board of Aldermen:

A&B. Comply with the provisions of the bond covenants, and compare current rates charged for services with the related operating and maintenance costs to determine if adjustment in service rates are needed to meet bond covenant requirements.

C. Ensure annual audits of the water and sewer system are conducted in a timely manner.

AUDITEE'S RESPONSE

We will implement these recommendations.

5. Payroll and City Policies

A. City employees can contribute a portion of their salary to a deferred compensation retirement plan. The former City Clerk incorrectly added the amount of each employee's contribution to the employee's gross salary which resulted in the city paying for the contributions instead of the employees. This retirement plan began in late 1994, and the city calculated it has paid $12,621 in excess contributions to the plan from 1994 to 1998.

B. During 1997, the city paid the police chief and an officer $4,898 and $1,063, respectively, for compensatory time earned. However, records of leave and compensatory time earned, taken, and accumulated were not maintained by the city.

Adequate leave records are necessary to ensure payments and balances are accurately calculated.

C. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo 1994, lists requirements of making city records available to the public.

WE RECOMMEND the Board of Aldermen:

A. Ensure retirement plan contributions are correctly deducted from employee's gross salary and determine what action the city needs to take to obtain reimbursement for the excess contributions and whether amounts reported to the IRS as income need to be revised.

B. Ensure records of compensatory and leave time earned, taken, and accumulated are properly maintained.

C. Establish a written policy and procedures regarding public access to city records.

AUDITEE'S RESPONSE

A. We have corrected the current method of handling these withholdings. We will discuss this issue with our legal counsel to determine what additional action we should take.

B&C. We will implement these recommendations.

6. Budgets and Financial Reporting

A. The budgets for the years ended September 30, 1998 and 1999 do not include a budget message or general budget summaries describing the important features of the budgets and major changes from the preceding years. They also do not include a statement of estimated or actual revenues and expenditures for the two preceding budget years, or the beginning and estimated ending available resources.

Section 67.010, RSMo 1994, requires each political subdivision of the state to prepare an annual budget with a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years. Prior year comparisons of actual revenues and expenditures need to be included to help ensure accurate amounts are budgeted. A budget should include appropriate revenue and expenditure estimations by classification, and include the beginning available resources and reasonable estimates of the ending available resources. A complete and well-planned budget, in

addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

B. The city does not publish semi-annual financial statements in accordance with state law. Instead the city prepares and publishes one financial statement which only covers the first six months of the fiscal year. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements.

C. Board minutes are prepared by the City Clerk, but are not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the Board of Aldermen:

A. Prepare budgets that contain all information as required by state law.

B. Publish semiannual financial statements as required by state law.

C. Ensure board minutes are signed by the City Clerk as preparer and the Mayor to attest to their completeness and accuracy.

AUDITEE'S RESPONSE

A&B. We will implement these recommendations.

C. We have implemented this recommendation.

7. Traffic Violations

Court cases for the city of Appleton City are heard once a month at city hall by the Associate Circuit Judge. The city operates a traffic violations bureau (TVB) to receive payment of fines and court costs at times other than during court. We noted the following concerns:

A. The city does not issue receipt slips for some court monies received at the TVB. A prenumbered receipt slip is only issued if the defendant pays in cash. To adequately account for all receipts and ensure all receipts are transmitted intact to the Associate Circuit Court, receipt slips should be issued for all monies received and their numerical sequence should be accounted for properly.

B. The city does not obtain receipt slips for monies it transmits to the associate court. To provide proper assurance all monies have been transmitted and to allow reconciliations of transmittals to receipt records, a receipt slip should be obtained from the associate court.

C. Neither the police department nor the court maintains adequate records to account for all traffic tickets issued by the police department. Although ticket books appear to be assigned in numerical order by the police department, the numeric sequence of tickets issued is not accounted for and compared to the listing of cases disposed of by the Associate Court.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department and the court cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, this listing should be compared to the monthly listing of cases disposed of by the Associate Court to ensure all tickets have been accounted for properly.

WE RECOMMEND the Board of Aldermen:

A. Ensure receipt slips are issued for all monies received and account for the numerical sequence.

B. Ensure receipt slips are obtained for monies transmitted to the Associate Court.

C. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

AUDITEE'S RESPONSE

We are currently reviewing these procedures and will make needed improvements.

8. City Property

A. The city has not established property records to account for its general fixed assets or assets of the Water and Sewer Fund. Property records for fixed assets are necessary to ensure accountability for all property owned by the city and for required financial reporting.

B. In August 1993, the Mayor at the time, sold an oil distributor to the city of Montrose for $300. No documentation could be located indicating board approval of the sale.

WE RECOMMEND the Board of Aldermen:

A. Establish property records for general fixed assets and fixed assets of the Water Fund and Sewer Funds that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition, if applicable. In addition, an actual physical inventory of the various property items should be performed periodically.

B. Ensure board approval is documented for the disposal of all city equipment.

AUDITEE'S RESPONSE

A. We will implement this recommendation.

B. We have implemented this recommendation.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

CITY OF CAINSVILLE, MISSOURI

YEAR ENDED DECEMBER 31, 1997
AND THE FIVE MONTHS
ENDED MAY 31, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-17
March 22, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Cainsville, Missouri.

NOTE: Recommendations as well as responses from the city which correspond with the findings are included in the audit.

During our review of the city's published financial statements, we discovered the city had not published semiannual financial statements as required by law. Prior to 1997, it appears no financial statements were published by the city. The city did publish a financial statement for 1997; however, that statement covered the entire year and did not include the city's indebtedness. State law requires the board of aldermen to prepare and publish semiannual financial statements. The law states that a city cannot legally disburse funds until these financial statements are published. Not only are these financial statements necessary to meet statutory requirements, they provide information to citizens regarding the operations and financial condition of their city government and how their tax dollars are being spent.

The City of Cainsville does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, we noted instances where bids were either not solicited or bid documentation was not kept. Examples include $5,222 for gravel, $5,043 for insurance, and $1,053 for a lawn mower. Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business.

The city's property tax rate has exceeded the maximum authorized by state statute. Public hearings have not been held prior to establishing property tax rates, and the board did not establish annual tax rates by ordinance. No independent verification of the tax books is performed. Furthermore, the city collector does not prepare an annual report of taxes collected or a list of delinquent taxes, and that official is not bonded.

The board of aldermen has not appointed an individual to serve as city treasurer, and there is no independent review or supervision of the work performed by the city clerk.

Historical information regarding Cainsville City Government be found on pages 4-5.

CITY OF CAINSVILLE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Cainsville
Cainsville, Missouri 64632

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Cainsville, Missouri. The city had engaged Schleisman White & Associates, P.C., Certified Public Accountants, (CPA firm), to perform a financial audit for the city for the year ended December 31, 1997, and the five months ended May 31, 1998. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. Our audit of the city included, but was not limited to, the year ended December 31, 1997, and the five months ended May 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

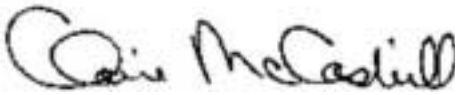
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

224 State Capitol • Jefferson City, MO 65101 • (573) 751-4824 • FAX (573) 751-6539
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Cainsville, Missouri.



Claire McCaskill
State Auditor

February 10, 1999

HISTORY AND ORGANIZATION

CITY OF CAINSVILLE, MISSOURI
HISTORY AND ORGANIZATION

The city of Cainsville is located in Harrison County. It was incorporated in 1875 as a fourth-class city. The population of the city in 1990 was 387.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1997, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31, 1997	Amount of Bond
Larry Fox, Mayor (1)	April 1998	$ 600	
Marguerite Cordle, Alderwoman	April 1999	200	
Bill McLain, Alderman	April 1999	200	
Leroy Osmon, Alderman (2)	April 1998	200	
Gary Turner, Alderman (3)	April 1998	200	
Wanda Jones, City Collector	April 1999	971 (4)	
Other Principal Officials			
Mary Meinecke, City Clerk/Treasurer (5)		7,200	$ 50,000
Wendell Willis, Street/Water Plant Operator (6)		17,732	
William Esley, City Attorney (7)		0	

(1) Reelected in April 1998.
(2) Ivan Powers was elected in April 1998 to replace Leroy Osmon.
(3) Tom Doty was elected in April 1998 to replace Gary Turner.
(4) The City Collector does not receive a salary. She earns a five percent commission on property tax collections.
(5) Resigned in May 1998. The board appointed Tara Francis as City Clerk/Treasurer in May 1998.
(6) Resigned in October 1998. Brad Thompson was hired as his replacement in November 1998.
(7) In March 1998, Allan Seidel was appointed city attorney to replace William Esley who passed away.

Assessed valuation and tax rate information for 1997 were as follows:

ASSESSED VALUATION

Real estate	$	722,520
Personal property		467,330

Railroad and utilities		191,103
Total	$	1,380,953

::

TAX RATES PER $100 ASSESSED VALUATION

General	$	.61
Fire		.20
Gravel		.92
Total	$	1.73

MANAGEMENT ADVISORY REPORT

CITY OF CAINSVILLE, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 9-10)

Formal bidding procedures have not been established. The city has not established a separate fund or accounting for motor vehicle-related receipts to ensure these amounts are spent only on street-related purposes. Board minutes do not identify the disbursements approved by the board at its monthly meeting. Invoices were not properly canceled after being paid and the receipt of goods and services was not always indicated on invoices prior to payment.

2. Budgetary and Financial Reporting Procedures (pages 11-12)

The city approved General Fund expenditures in excess of budgeted amounts during 1997. The city has not published semi-annual financial statements as required by state law. The financial statements which were published for 1997 did not include the city's indebtedness as required.

3. Water System (pages 12-13)

There is no independent oversight of the duties related to the billings and record keeping for the city's water system. Monies related to direct sales at the water plant are not turned over to the City Clerk on a timely basis and there is no meter to monitor these water sales.

4. Property Tax Rate and Procedures (pages 13-15)

The city's property tax rate has exceeded the maximum authorized by state statute. Public hearings have not been held prior to establishing the property tax rates, and the board did not establish the annual tax rates by ordinance. No independent verification of the tax books is performed. The City Collector does not prepare an annual report of taxes collected or a list of delinquent taxes. The City Collector is not bonded.

5. Trash Fees (pages 15-16)

A portion of the monthly fee charged to city residents for trash collection service is intended to cover the city's administrative costs in providing the service; however, the city has not identified the administrative costs incurred.

6. Street Maintenance Plan (pages 16-17)

An annual maintenance plan for city streets has not been prepared.

7. Ordinances, Policies, and Minutes (pages 17-18)

Some of the city's ordinances were not filed in the official ordinance book, ordinances have not been established in all instances where needed, and the city has not operated in accordance with some established ordinances. The city does not have a formal policy regarding public access to city records. The board minutes are not signed by the Mayor or a designated member of the board to attest to the accuracy.

8. Accounting Controls and Procedures (pages 18-20)

A separate individual has not been appointed to serve as City Treasurer and there is no independent review or supervision of the work performed by the City Clerk. Prenumbered receipt slips are not issued for monies received by the city and deposits are not made on a timely basis.

9. Fixed Asset Records (page 20)

The city has not maintained adequate records to account for fixed assets.

1. Expenditures

A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, we noted instances where bids were either not solicited or bid documentation was not retained. Examples include $5,222 for gravel, $5,043 for insurance, and $1,053 for a lawn mower.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business.

Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. During the year ended December 31, 1997, and the five months ended May 31, 1998, the city received motor vehicle-related receipts totaling $14,937 and $6,073, respectively, from the state. The city has historically deposited these receipts into the General Fund rather than establishing a separate fund to account for the receipt and disbursement of these monies. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes.

Although street-related disbursements are paid from the General Fund, these disbursements are not specifically identified in the city's accounting records. As a result of this situation, receipts legally restricted for street purposes may have been used for other municipal purposes. The city should perform a detailed review of the motor vehicle-related receipts and disbursements that have been handled in the General Fund and determine if there is any remaining balance. The unspent balance of street revenues should be accounted for separately along with future receipts.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or accounting of motor vehicle-related receipts and ensure these revenues are used only for the purposes allowed by the constitution.

C. The board minutes do not identify the disbursements approved by the board at its monthly meetings. Generally, the only reference in the minutes is a notation that a motion was made and approved to pay bills.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained in the official minutes.

D. Invoices supporting payments are not marked paid. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments.

E. Indication of the receipt of goods or services is not always indicated prior to an expenditures being approved for payment. The documentation of receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

WE RECOMMEND the Board of Aldermen:

A. Establish formal bidding policies and procedures.

B. Determine if there is an unspent balance of motor vehicle-related receipts in the General Fund and establish a separate fund or accounting of state motor vehicle-related monies to ensure compliance with the Missouri Constitution.

C. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.

D. Ensure that all invoices are canceled or marked paid when payment is made.

E. Ensure the receipt of goods or services is indicated on the invoice prior to payment.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. A formal bidding policy has been established.

B. Motor-vehicle money is now maintained in a separate fund.

C. We now have lists of disbursements signed by all board members.

D. Invoices are now canceled when they are paid .

E. All goods are signed for now and an indication of this is made on the invoice.

2. Budgetary and Financial Reporting Procedures

A. During the year ended December 31, 1997, the city approved General Fund disbursements of $18,625 in excess of the budgeted amount. The city did not prepare an amended budget for this fund nor did the city set forth any reasons for exceeding the budgeted amount in the board minutes or adopt a resolution authorizing the additional expenditures. The city did amend the Water Fund budget for the year ended December 31, 1997; however, the city did not identify the dollar amount of the budget increase or adopt a formal resolution doing so.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If these are valid reasons which necessitate excess expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such.

B. During our review of the city's published financial statements, the following concerns were noted:

1. The city has not published semiannual financial statements as required by law. The city published financial statements for 1997; however, they covered the entire year. Prior to 1997, it appears no financial statements were published by the city.

2. The financial statements published for 1997 did not include the city's indebtedness. Those financial statements did not include the city's water revenue bonds at December 31, 1997.

Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semiannual financial statements. These financial statements should present a statement of receipts and expenditures and indebtedness of the city for the preceding six months. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.

The publishing of the financial statements, besides meeting statutory requirements, provides information to citizens regarding the operations and financial condition of their city government and how their tax dollars are being spent.

WE RECOMMEND the Board of Aldermen:

A. Ensure the expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the amount of the increase and reason(s) for such should be adopted.

B. Publish semiannual financial statements as required by state law. The financial statements should include all required information, including the indebtedness of the city.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. We currently make budget amendments with motions at meetings, and we will in the future make formal resolutions.

B. We will publish semi annual financial statements and include indebtedness for water and sewer.

3. Water System

The city operates a water system which provides service to over 200 customers. Our review of the related billing and collection records and procedures disclosed the following concerns:

A. There is no independent oversight of duties related to the water system. At the time of our review, the Water Plant Operator was responsible for all functions related to generating and billing monthly utility bills, recording utility payments, making credit adjustments, and monitoring delinquent accounts. The city's computerized utility system generates a billing register that shows the current billing and last payment information for each customer. However, these reports were maintained by the Water Plant Supervisor and not filed with the City Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. To ensure that the utility billings and related records are handled properly, there should be an independent reconciliation of bank deposits to recorded utility payments, an independent review and approval of credit adjustments, and delinquent account follow-up.

B. The city sells water directly to individuals who fill water tanks from a coin-operated pump at the city's water plant. The cost is twenty-five cents for 25 gallons of water. The monies from these sales are not collected and deposited on a timely basis. We noted these monies were generally turned over to the City Clerk and deposited only once a month during 1997. In addition, we noted the amount of water plant sales has decreased significantly in recent years. Recorded revenues from these sales totaled

$4,228, $2,024, $681, and $528, in 1995, 1996, 1997, and 1998 (through July), respectively.

We were informed that more people living outside the city have been hooked up to rural water districts in recent years; however, it could not be determined if this accounted for the reduction in revenues. The city does not have a meter to monitor the amount of water sold through the coin-operated pump. As a result, the water sold in this manner cannot presently be compared to the amount of monies received and deposited.

To ensure receipts from water plant sales are accounted for properly, the monies should be collected and deposited on a timely basis. In addition, the board should monitor revenues from direct water sales at the plant and investigate any unusual fluctuations. Further, the city should install a meter at the plant so these direct sales can be compared to the amount of monies received and deposited.

WE RECOMMEND the Board of Aldermen

A. Ensure a periodic independent review of the billing and accounting functions of the water system is performed. This would include a reconciliation of bank deposits to recorded payments, review and approval of credit adjustments, and delinquent account follow-up.

B. Ensure monies related to direct water plant sales are collected and deposited on a timely basis. In addition, the board should monitor these revenues for reasonableness and take steps to meter this water usage so the total gallons sold can be compared to the monies received and deposited.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. The City Clerk now handles the billing and collection duties of the water system. The clerk compares bank deposits to payments each month and delinquent accounts are acted on at board meetings.

B. Monies from the water plant will be collected each week on Monday by two individuals and be turned over to the City Clerk. We have obtained a new meter to account for sales at the water plant.

4. Property Tax Rate and Procedures

A. The city's total property tax rate has exceeded the maximum authorized by state statutes. The city's total tax rates for 1998, 1997, and 1996 were $1.77, $1.73, and

$1.89, respectively. However, Section 94.250, RSMo 1994, provides that a fourth class city's tax levy shall not exceed $1.00 for general municipal purposes, except by a two-thirds vote and only for a period of four years at any one time. It appears this situation has existed for a number of years and there was no indication whether the additional levies (above $1.00) had ever been approved by a vote of the people.

The city should review this situation with the City Attorney and set future tax rates in accordance with state law. Any tax levy above $1.00 would need to be approved by the voters.

B. Public hearings have not been held prior to establishing the property tax rates. Section 67.110, RSMo 1994, states a public hearing is to be held on proposed rates of tax prior to the board's approval of the rates. Also, the board did not establish the annual tax rates by ordinance as required by Section 94.210, RSMo 1994.

C. The City Collector manually prepares the tax books from assessment data received from the county. No independent verification of the tax book information or totals is performed by the City Clerk.

Section 94.290, RSMo 1994, requires the city clerk to make the tax books and charge the city collector with the full amount of taxes levied. Without this proper segregation of duties between the City Clerk and City Collector, the internal control over this process is weakened. Verification of tax book information and totals is necessary to ensure the amount of taxes charged to the City Collector is complete and accurate.

D. While the City Collector prepares monthly reports of taxes collected, an annual report of amounts collected as well as amounts uncollected is not prepared as required. In addition, an independent reconciliation of paid tax statements to the monthly reports is not performed.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require the city collector to make reports to the board of aldermen of the amount of taxes collected and to prepare lists of delinquent taxes. The board is to examine and approve the lists and charge the city collector with the lists to collect the taxes due. Section 94.330, RSMo 1994, also provides that the board of aldermen may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

An annual report which complies with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. In addition, an independent reconciliation of paid tax statements to monthly reports would provide more assurance that all amounts collected were appropriately handled.

E. The City Collector is not bonded. City Ordinance 1987-A, Section 1-320, requires the posting of a bond by the City Collector before entering the duties of the office.

The failure to adequately bond all persons with access to assets exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

A. Review this matter with the City Attorney and ensure the city complies with state statutes when setting future tax levies.

B. Hold public hearings on proposed property tax rates and establish the annual levies by ordinance as required by state law.

C. Require the City Clerk to extend the current tax books and charge the City Collector with the amount of taxes, or at a minimum, document procedures performed to verify the accuracy of the tax book totals.

D. Require the City Collector to prepare annual reports of taxes collected and delinquent taxes. In addition, an independent reconciliation of paid tax statements to the monthly reports should be performed.

E. Obtain adequate bond coverage for the City Collector.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. We are planning to have the City Attorney help us get this on the August 1999 ballot to be voted on.

B. We do currently hold public tax hearings and we will in the future adopt tax rates by ordinance.

C. The City Clerk currently checks the Collector's books and initials all columns added and penalties figured.

D. The Collector gives the board a monthly report of taxes and penalties collected. She will also give an annual report.

E. The Collector is now bonded.

5. Trash Fees

The city charges its residents a monthly fee of $8 for trash collection and this fee is included along with the water charges in the monthly utility bills. Seventy-five cents of the fee is

intended to cover the city's administrative costs for providing trash service and the remainder is to be paid the contractor who provides the trash collection service. The city has not identified the administrative costs incurred related to providing the trash service and collection of the fee; therefore, it could not be determined whether the administrative portion of this fee is reasonable.

Until early 1998, the city maintained a separate Trash Fund into which the trash fees were deposited and from which disbursements were made to the contractor. The user fee collections from city residents have exceeded the total annual disbursements to various contractors by an average of $1,700 per year from 1993 through 1997. The city closed the Trash Fund in January 1998, and transferred the $8,453 balance to the General Fund. Trash fees are currently being deposited into the General Fund and disbursements to the contractor are being made from the General Fund.

User fee charges should be set at a level to cover the cost of providing a particular service. The administrative costs of providing this service should be identified and documented. If the current revenues generated by the administrative portion of this fee exceed the estimated administrative costs incurred in providing this service, consideration should be given to reducing the fee accordingly.

In November 1998, the city increased the trash fee to $9 due to a corresponding $1 increase in the rate charged by the contractor.

WE RECOMMEND the Board of Aldermen determine the administrative costs associated with the trash collection service and ensure these costs are comparable to the administrative portion of the fees collected from city residents.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

The board will try to determine the administrative costs for trash service and decide if the fee is appropriate.

6. Street Maintenance Plan

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

The board will try to come up with a future street maintenance plan.

7. Ordinances, Policies, and Minutes

A. Our review of the city ordinances disclosed the following concerns:

1. The city's ordinance book does not appear to be complete. Some ordinances noted in the board minutes as being approved were not filed in the official ordinance book.

2. The city has not adopted ordinances in all appropriate instances. For example, ordinances have not been established to set the annual property tax rates, the trash fee, or the city's water rates and related fees.

3. The city has not operated in accordance with some established ordinances. For example, the ordinance addressing compensation for the board of aldermen and the mayor was not revised in 1991 to reflect salary increases approved by the board. In addition, the city's ordinances provide that new officers are to take office on the first Tuesday in May, after the April election. However, the city has been swearing in city officials at the April board meetings for a number of years and the new officials take office when they are sworn in.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner. Ordinances should be passed where necessary, and the board should ensure it operates in accordance with established ordinances or revise the applicable ordinances, as needed.

B. The city does not have a formal policy regarding public access to city records. A formal policy would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact, provide an address to mail requests for access to records, and establish a cost to provide copies of public records.

Section 610.023, RSMo 1994, lists requirements for making city records available to the public. In addition, Section 610.026, RSMo 1994, allows the city to charge fees for copying public records; however, the fees shall not exceed the city's actual cost of document search and duplication.

C. The board minutes are signed only by the City Clerk as preparer. The board minutes should also be signed by the Mayor or a designated member of the Board of Aldermen to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the Board of Aldermen:

A. Ensure the city's ordinances are maintained in a complete and up-to-date manner. New ordinances should be passed as needed and the board should ensure it operates in accordance with established ordinances.

B. Establish a formal written policy and procedures regarding public access to city records.

C. Ensure the board minutes are signed to by the Mayor or a designated member of the board to attest to their accuracy.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. The city will put all ordinances in a bound book for the record. New ordinances will be passed as needed and the board will ensure it operates in accordance with established ordinances.

B. The city will put together a public access policy.

C. The board minutes will be signed by the Mayor and City Clerk.

8. Accounting Controls and Procedures

A. The Board of Aldermen has not appointed a separate individual to serve as City Treasurer. The City Clerk also serves as the City Treasurer, and with the exception

of the functions related to the collection of property taxes and the billing of utilities, this individual is responsible for most of the record keeping duties of the city. These duties include receiving and depositing monies, handling the utility collections, preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

This condition was similarly reported by the city's independent auditors.

B. Receipt slips are not issued for all monies received. To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received. Doing so would provide better accountability over monies received. The receipt slips should indicate the method of payment (ie. cash, checks, or money order) and the composition should be reconciled to the bank deposits on a periodic basis.

C. Deposits are not made on a timely basis, with deposits being made approximately once a week. To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

WE RECOMMEND the Board of Aldermen:

A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

B. Require prenumbered receipt slips to be issued for all monies received. In addition, the method of payment should be recorded on the receipt slips and the composition of receipts should be reconciled to deposits on a periodic basis.

C. Ensure deposits are made on a daily basis or when accumulated receipts exceed $100.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. *We do not feel that it is feasible for the city to have a Clerk and a Treasurer. We will however, try to appoint a Treasurer on the board to oversee duties. Also, the Mayor performs a review of the City Clerk's records.*

B. *Receipt slips will be issued for all monies received.*

C. *Anytime money is accumulated larger than $100, the City Clerk now goes to the bank.*

9. Fixed Asset Records

The city has not maintained adequate property records to account for its general fixed assets or assets of the Water Fund. Our review noted the following:

A. The city's fixed asset listing does not include all property owned by the city. Although the financial statements presented in the most recent CPA audit reports included approximately $14,000 in water plant equipment, the city's listing does not include any of this equipment. In addition, the listing does not include any of the office equipment owned by the city.

B. The fixed asset listing does not include the cost or estimated cost for most items. This information was included for only two items purchased in 1998. In addition, the listing does not include make, model, and serial number for the property items.

C. The city has not tagged or otherwise identified the fixed assets as property of the city.

Adequate fixed asset records are necessary to secure better internal control over assets and provide a basis for determining adequate insurance coverage.

WE RECOMMEND the Board of Aldermen ensure:

A. All property owned by the city is included on its fixed asset listing.

B. The fixed asset listing includes all necessary information including the cost or estimated cost of all property items, and the make, model, and serial number, if applicable.

C. All city-owned property items are tagged or otherwise identified as city property.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

A new fixed asset list is in the process of being prepared. The city will tag its property, such as the computer and copy machine.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

PATTONSBURG R-II SCHOOL DISTRICT

DAVIESS COUNTY/DEKALB COUNTY/GENTRY COUNTY, MISSOURI

YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-16
March 22, 1999

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Pattonsburg R-II School District.

<u>NOTE</u>: The following findings are included in the report. Recommendations as well as responses from the district which correspond with the findings below are included in the report.

A problem with accounting reports from the district, to the Department of Elementary and Secondary Education (DESE), led to an overpayment of state aid to the district. A mistake was made when state assessed railroad and utility taxes were not properly recorded on accounting records. The district stated similar mistakes will be avoided in the future due to accounting system upgrades.

Expenditures exceeded budgeted amounts in various district funds. The district has agreed to implement audit recommendations to solve this problem. The district points to recovery efforts from past flooding and fire as being obstacles in the past. Again, the district stated it will seek to improve budgeting procedures in the future.

Major purchases and construction projects totaling just less than $300,000 were undertaken without competitive bidding. The district agrees that policies concerning bidding would have to be reviewed. Our recommendations include written agreements for all leases and solicitation of bids for all major purchases and construction projects.

Other findings relating to employee leave records, mileage calculations, and tuition costs are also addressed in the audit.

History of the School District -- (See page 4)

YELLOW SHEET

PATTONSBURG R-II SCHOOL DISTRICT

DAVIESS COUNTY/DEKALB COUNTY/GENTRY COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
Pattonsburg R-II School District
Pattonsburg, MO 64670

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Pattonsburg R-II School District. The school board had engaged Lockridge, Constant, and Conrad, LLC, Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 1998. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA. Our audit of the school district included, but was not limited to, the year ended June 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our audit of the district.

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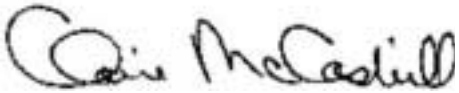
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Pattonsburg R-II School District.



Claire McCaskill
State Auditor

January 5, 1999

HISTORY AND ORGANIZATION

PATTONSBURG R-II SCHOOL DISTRICT
DAVIESS COUNTY/DEKALB COUNTY/GENTRY COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The Pattonsburg R-II School District is located approximately 70 miles north of Kansas City on Interstate 35. It is located in the northwest half of Daviess County, but lies in all, or part, of seven townships in three counties.

The district operates a high school (7-12), an elementary school (K-6), and a pre-school (ages 3 and 4). Enrollment was approximately 209 for the 1997-98 school year. The district employs approximately 39 full and part-time employees, including 3 administrators, 26 teachers, and 10 support staff.

Pattonsburg R-II School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 1998 and their current terms of office are:

Name and Position	Current Term Expires
Donald Burns, President	April 1999
James Woodward, Jr., Vice President	April 2000
Tommie Lowrey, Treasurer	April 2001
Merlin Bozarth, Member	April 2001
Greg Brown, Member	April 1999
Tom Lambert, Member	April 1999
Jerry Popplewell, Member	April 2000

Other Principal Officials	Annual Compensation
William E. Walker, Superintendent	$ 55,303
Dr. Paula Johnson, High School Principal	39,449
Davy Snead, Elementary School Principal (1)	38,426

(1) Judy Brown became the Elementary School Principal in August 1998.

Assessed valuation and tax rate information for the school district were as follows:

	1998	1997
Assessed Valuation	$7,691,055	$6,685,824
Tax Rate	5.53	4.79

MANAGEMENT ADVISORY REPORT

PATTONSBURG R-II SCHOOL DISTRICT
DAVIESS COUNTY/DEKALB COUNTY/GENTRY COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Accounting System and Financial Reporting (pages 8-10)

   District transactions were not always properly recorded on the accounting system or the Annual Secretary of the Board Report submitted to the Department of Elementary and Secondary Education. State assessed railroad and utility taxes were not properly recorded on accounting records, resulting in an overpayment of approximately $44,000 in state aid for the 1997-98 school year.

2. Budgets and Published Financial Statements (pages 10-12)

   Actual expenditures exceeded budgeted amounts in various district funds and budget documents did not contain some information required by state law. In addition, a summary of the district's audit report is not published as required by state law.

3. Bidding and Procurement Procedures (pages 12-14)

   Bids were not obtained or bid documentation retained for construction and major purchases totaling approximately $298,000. Written contracts were not obtained for leases.

4. Expenditures (pages 14-16)

   Expenditures were not always adequately supported by purchase orders or approved invoices. Some invoices did not contain an authorized signature showing approval or receipt and some employee reimbursements were not accounted for adequately. Additional compensation paid to employees was not always reported on W-2's, and IRS Forms 1099-MISC were not always prepared. Some expenses do not appear to be a prudent use of public funds.

5. Personnel Contracts and Procedures (pages 16-18)

   The district does not have a formal written policy for vacation leave and leave records are not maintained for some employees. Written employment contracts were not always prepared, retained and signed by the board president. During the year ended June 30, 1997, the district received exceptional pupil funding for a teacher's aide, although this individual primarily performed clerical duties. In addition, insurance proceeds designated for employees' personal items lost in a fire have not been disbursed.

6. Pupil Transportation Procedures (pages 19-20)

   State guidelines for calculating actual mileage are not followed. Student count reports did not agree with attendance records for some count days.

7. Non-Resident Pupils (pages 20-21)

The district serves students from another school district at a tuition rate which does not comply with its admissions policy for charging tuition to non-resident students.

8. Parents as Teachers (PAT) Program (pages 21-24)

The district currently does not have an operating PAT program. Final reports submitted to the Missouri Department of Elementary and Secondary Education were not supported by documentation on file. The district does not have guidelines outlining compensation of the PAT employees. Records maintained for the PAT library are incomplete.

9. Student Activity Funds (pages 24-26)

The high school cheerleader fund was held outside the school district treasury. Student activity fund records were not complete and proper controls over receipts and expenditures were not established. In addition, student activity fund transactions were not always correctly recorded on accounting records.

10. Board Policies and Procedures (pages 26-27)

Minutes did not always include the information supporting a closed meeting as required by state law. In addition, board minutes are not signed when approved. The school board policy manual is not on file.

11. General Fixed Asset Records and Procedures (pages 27-28)

The district has not established adequate records for property owned by the district.

1. Accounting System and Financial Reporting

The school district maintains a computerized accounting system for processing revenue and expenditure transactions. Our review of the accounting system, financial procedures, and related financial reports revealed the following areas of concern:

A. To establish consistency and accountability among school districts, the Missouri Department of Elementary and Secondary Education (DESE) provides districts with financial recording guidelines in the *Missouri Financial Accounting Manual*. The DESE has established account codes to track revenues, expenditures, and other transactions. During our review, we noted numerous instances in which the DESE guidelines were not followed, and incorrect accounting codes were used when recording transactions. Some instances are noted below:

1) During the year ended June 30, 1998, expenditures totaling $450 which should have been coded to the district's professional development program were incorrectly coded to substitute teacher salaries. Transfers were made to correct the errors after we brought this to the district's attention. The DESE requires the school districts to track professional development expenditures under a separate account code to ensure compliance with Section 160.530, RSMo 1994. Without proper coding and tracking of professional development expenditures, the district is unable to effectively monitor compliance with state law.

2) During the two years ended June 30, 1998, the district did not adequately track and account for "Children At-Risk" program expenditures. For the year ended June 30, 1997, expenditures coded to the "Children At-Risk" program totaled only $5,692, while the district reported program expenditures of approximately $95,000 on the Annual Secretary of the Board Report (ASBR) submitted to the DESE. District personnel indicated that, at year-end, expenditures allowable under the "Children At-Risk" program are combined to determine the total expenditures reported on the ASBR; however the district could not locate documentation to support the amount reported on the 1997 ASBR.

During the year ended June 30, 1998, the entire salary of a district teacher was charged to the "Children At-Risk" program, although a portion of her salary was reimbursed through a federal program. Only the portion of the salary paid by the district should be coded to the "Children At-Risk" program.

The DESE requires districts to track "Children At-Risk" program expenditures under a separate account code, report total program expenditures on the district's ASBR, and classify any unspent funding as a restricted fund balance. By not properly recording transactions on the accounting system and the ASBR, the district is not in compliance with the DESE guidelines and cannot adequately monitor "Children At-Risk" program expenditures.

B. The school district receives state assessed railroad and utility taxes annually which are collected by the various counties in which the district lies. Pursuant to Section 151.150, RSMo 1997 Supp., the counties apportion the railroad and utility taxes among the school districts for school purposes and capital projects. The amount to be distributed for school purposes is based on each district's September membership, while the amount to be distributed for capital projects is based on the capital project levy. During the years ended June 30, 1998 and 1997, the district received $31,293 and $45,786, respectively, in railroad and utility taxes.

The district receives state aid which is calculated and distributed by the DESE. The amount of state aid is based on a formula established under Section 163.031, RSMo 1997 Supp. The amount received during the previous year for school purposes from state assessed railroad and utility taxes is deducted from the district's current year entitlement under this formula.

During the year ended June 30, 1997, the district incorrectly recorded the state assessed railroad and utility tax receipts to the revenue code for “current taxes” instead of “state assessed railroad and utility taxes”, the correct revenue code. Because of this error, the DESE did not include approximately $44,000 received for school purposes from railroad and utility taxes as a deduction from the district's 1997-98 entitlement. As a result, it appears the district received approximately $44,000 more in state aid than it was entitled to during the 1997-98 school year. This same recording error was made during the 1997-98 school year; however, after bringing the error to the district's attention, a transfer was made to correctly report the 1997-98 receipts under the proper revenue code. As a result, the 1998-99 state aid will not be affected.

Proper classification of receipts is necessary to ensure accuracy of the district's financial statements and the accuracy of the state aid calculation.

The DESE account code structure is designed as a means of efficient recordkeeping as well as a basic management tool. It also allows comparability of financial transactions among districts. Without consistent adherence to the DESE account code guidelines, the district's financial reports do not properly reflect the financial transactions of the district.

WE RECOMMEND the School Board:

A. Require the DESE guidelines be followed when posting district transactions to ensure that financial reports are accurate and complete. In addition, the Board should ensure "Children At-Risk" program expenditures are adequately recorded and accounted for on the accounting system and financial reports submitted to the DESE, and file an amendment for fiscal years 1998 and 1997 with the DESE, if necessary.

B. Ensure all state assessed railroad and utility taxes are properly recorded in the accounting records and resolve the overpayment for 1997-98 with the DESE.

AUDITEE'S RESPONSE

A. The district has installed a new financial accounting program in January 1998 that should prevent these errors from occurring again. In addition, we will instruct our staff to ensure the expenditures for "Children at Risk" are properly coded and designated as they are handled. We will review the errors noted for the "Children at Risk" program and determine if an amendment is required.

B. We will discuss this issue with DESE to determine the proper method to handle this error.

2. Budgets and Published Financial Statements

A. The budgets prepared by the district for the years ended June 30, 1998 and 1997, failed to comply with Chapter 67 of the Missouri statutes (the budget law). The annual budgets do not include actual (or estimated for the year not ended) receipts and disbursements for two preceding budget years. In addition, budgets did not include estimated beginning and ending balances for each fund. Without this information, the district cannot adequately evaluate available resources and financial condition.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area and provide a means to effectively monitor actual costs.

B. For the years ended June 30, 1998 and 1997, the school district's actual expenditures exceeded the amounts originally budgeted for the following funds as illustrated below:

Fund	Budgeted Expenditures	Actual Expenditures	Actual Over Budgeted
Year Ended June 30, 1998			
General Fund	$ 437,301	609,987	172,686
Special Revenue Fund	777,130	790,310	13,180
Capital Projects Fund	112,850	1,935,924	1,823,074
Year Ended June 30, 1997			
General Fund	385,951	647,677	261,726
Capital Projects Fund	16,850	877,705	860,855

On June 15, 1998, the school board approved a budget amendment to agree actual expenditures to budgeted expenditures; however, the amendment was made after the expenditures had been incurred. A similar amendment was made in June 1997 for the 1997 budget. It appears the amendments were made for statutory compliance only and circumvented the intended use of the budget as a management tool.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The School Board should require that timely budget to actual comparisons are received and reviewed prior to approving expenditures.

C. Annual financial statements, as presented in the district's audit report, are not published as required by state law. Section 165.121, RSMo 1994 requires that a summary of the district's audit report including a statement of receipts, disbursements, and balances of each fund, be made and published in a newspaper within the county.

In addition to compliance with state law, published financial statements provide residents information about how district resources are being used and the resources available to meet the needs of the students.

WE RECOMMEND the School Board:

A. Adopt annual budgets with complete information required by Chapter 67, RSMo.

B. Ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to the expenditures.

C. Prepare and publish a summary of the district's audit report as required by state law.

AUDITEE'S RESPONSE

A. We will implement this recommendation.

B. Because of the many changes and problems occurring in the district over the past few years due to flooding and the fire, it has been difficult to make budget changes prior to expending funds from the specific accounts. We will improve this procedure in the future.

C. We will follow this required procedure.

3. Bidding and Procurement Procedures

A. The school district is completing a multi-million dollar construction project to build new school facilities for all grade levels. Bids were not always solicited or advertised by the school district nor was bid documentation always retained for various expenditures relating to this construction project. Examples of expenditures without documentation of bids and/or advertisement are as follows:

Item	Cost
Telephone equipment	$ 23,745
Dirt work	21,700
Dozing	10,509
Outer doors	4,232
Propane tank bases	4,000
Rock	2,687

The Superintendent indicated that, for some items, several vendors were contacted, and the telephone equipment was available from only one vendor. Documentation of these inquiries and sole source procurement situations, however, was not maintained. Section 177.086, RSMo 1997 Supp. requires that school districts advertise bids for construction of facilities which may exceed an expenditure of $12,500. In addition, bidding procedures for construction projects provide a framework for economical management of school district resources and help assure the district that it receives fair value by contracting with the lowest and best bidder. Documentation of bids should always be retained as evidence of the district's established bidding procedures and to show statutory requirements are followed.

B. The school district did not always solicit bids or retain bid documentation for other major purchases or leases. While district employees indicated bids are sometimes solicited

through telephone quotes or other direct contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor was not retained for many purchases reviewed.

Examples of expenditures for items purchased or leased without documentation of bids are as follows:

Item	Cost
School bus lease/purchase	$146,765
Trailer leases	44,600
Computers	20,076
Science lab equipment	9,900
Lockers	5,810
Piano	3,495

The district's purchasing procedures could be made more effective by adopting a written policy identifying specific bid procedures that are required for each type or size of expenditures. Bids can be handled by telephone quotation, by sealed bid, or by advertised sealed bid. Different approaches may be appropriate, depending on the dollar amount of the purchase. Written documentation of bids also provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specification, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

C. The school district did not obtain a written lease agreement for the school bus lease/purchase shown above. Written agreements are necessary to ensure both parties are aware of the terms of the agreement. In addition, Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing.

WE RECOMMEND the School Board:

A&B. Solicit bids for construction projects in accordance with state law and establish specific bid policies and procedures which require formal solicitation of bids for all major purchases. Such bid policies should include criteria on how bids are to be solicited and when formal advertising should be used. Documentation of bids received and the bid process should be retained. If sole source procurement is necessary, the district should retain documentation of these circumstances.

C. Ensure written agreements are obtained for all leases outlining the terms of the agreement.

AUDITEE'S RESPONSE

A&B. We have broken the school construction project down into various smaller projects

that cost less than $12,500 and did not formally bid many of these projects. The Superintendent did obtain phone bids but documentation of these bids was not kept. We will review our current policy to determine what changes will improve our bidding and record keeping procedures.

We will review our current procedures and determine how to adapt our procedures and policies related to large purchases. Also, we will examine what constitutes a "large purchase".

C. We will implement this recommendation for all future leases.

4. Expenditures

A. The school district has established formal payment procedures; however, the procedures are not always followed. Current policy requires an itemized invoice and a receiving document containing the signature of an authorized employee on file before a payment can be processed. In addition, the invoice must have been received in response to a purchase order approved by the Superintendent.

1) Several payments were processed without an original invoice or other adequate supporting documentation. One example included a payment in the amount of $4,900 to an individual for dirt work at the new school. In addition, during June 1997 the district paid a state activity organization $1,512 for registration and travel expenses for a student and a teacher to attend a national competition in San Diego, California. There was no invoice supporting the expenditure which outlined the costs associated with the trip. Also, a teacher was paid $1,250 for administration of two grants. Time sheets were not provided to support the hours claimed. Other expenditures made for which there was no invoice or supporting documentation included $925 for accounting services/training, $370 for custodial services, $325 for a teacher workday lunch, and $240 for teacher gifts.

Employees may purchase equipment, materials and supplies, and group airline tickets and hotel accommodations directly and are reimbursed by the school district. There is often no approved purchase order or any other type of documentation supporting the expense claim such as an invoice or a copy of a credit card slip. For example, during April 1998, the Superintendent was reimbursed $261 for hotel accommodations for a cheerleading competition. Payment was made without an approved purchase order or invoice from the hotel. Additionally, a district teacher was reimbursed $277 for testing materials and books. A purchase order was prepared and approved, however, no invoices or documentation to support the payment was obtained.

2) Some payments were processed without a properly approved purchase order or documentation of advance authorization by the Superintendent.

3) Several invoices did not contain an indication of approval or receipt of goods or services. The Superintendent indicated he reviewed and approved all expenditures before payment; however, it appears this approval is not always formally documented.

To ensure the obligation was actually incurred and properly approved, all expenditures should be supported by properly approved purchase orders and original invoices containing indication that goods or services have been received.

B. Reimbursements made to employees for travel expenses were seldom supported by adequate documentation of actual expenses incurred. Many employee expense reports did not contain sufficient information such as the date of trip, trip origin, destination, and purpose. In addition, invoices for hotels, phone calls, and other expenses reimbursed by the district could not be located. Without a detailed travel expense report including documentation supporting the expenses claimed, the district cannot determine the propriety of payments made for travel expenses.

Failure to require adequate supporting documentation for expenditures increases the risk that the school will pay for items not intended for school purposes.

C. Some district personnel perform additional duties beyond the regular scope of work. Payments totaling approximately $3,000 were made to employees for administering grants, coordinating the Parents as Teachers program, writing classroom curriculum, and custodial work. These employees were compensated for additional duties; however, the additional compensation was not reported on Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld from the payments.

Additionally, the school district does not always issue Forms 1099-MISC to individuals or unincorporated businesses which provide services to the district. Expenditures for services totaling approximately $1,500 were paid and not reported to the Internal Revenue Service on a Form 1099-MISC.

The Internal Revenue Code (IRC) generally indicates individuals treated as employees should have all compensation reported on Forms W-2. The IRC further requires payments totaling $600 or more in a year to non-employees and businesses which are not corporations be reported on Forms 1099-MISC.

D. Expenditures totaling approximately $500 were paid from school funds for gifts for the teachers and flowers for funerals. These expenditures do not appear to be necessary and prudent uses of public funds.

WE RECOMMEND the School Board:

A. Require purchase orders be prepared for all payments and original invoices containing approval and indication of receipt of goods or services be on file before processing payments in accordance with district policy.

B. Require detailed travel expense reports be submitted. These reports should include information such as trip date, origin, destination, and purpose; and should contain invoices or receipts to support expenses claimed for reimbursement.

C. Report all additional compensation paid to employees and non-employees on Forms W-2 or 1099-MISC and amend previous years' Forms W-2 to reflect compensation amounts not originally included on the forms.

D. Ensure expenditures are necessary and a prudent use of public funds.

AUDITEE'S RESPONSE

A-C. We will try to implement these recommendations as they pertain to improving our procedures.

D. We feel that these types of expenditures are necessary and supportive of staff and school personnel morale. We will examine these procedures and try to formalize a policy on these types of expenditures.

5. Personnel Contracts and Procedures

During our review of district personnel contracts and policies, we noted the following areas of concern:

A. The school district does not have a formal written policy for vacation leave for twelve month employees. The Superintendent indicated he receives three weeks of vacation per year, and all other twelve month employees receive two weeks per year; however, this has not been formally documented in a board policy or individual employment contracts. In addition, leave records are not formally or centrally maintained for all employees. A new board policy, which has been presented to the board but not yet approved, indicates that administrators employed on twelve month contracts shall have vacation provided in their individual contracts; however no policy has been developed for support staff employees. Formal written policies should be established to clearly define employee benefits and to avoid any misunderstandings.

B. The district enters into written employment contracts with school district employees. Our review of employment contracts noted the following weaknesses:

1) The school district could not locate a written employment contract with the Superintendent covering fiscal years 1998 and 1999. In addition, there is no documentation of a written contract with the High School Principal for the 1997-98 school year.

A regular district teacher also served as the Parents as Teachers program coordinator. Payments to this individual were dependent upon the district funding received by the DESE; however, these terms were not outlined in a formal agreement between the school district and the employee.

The proposed new board policies for Superintendent and professional staff require that employment shall be secured through a written contract indicating days of service and compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities.

2) Teacher contracts are signed by the employee but not by the board president. Section 168.108, RSMo 1994 states that teacher contracts shall be signed by the permanent teacher and the president of the board of education.

C. During the year ended June 30, 1997, the district received $3,038 of Exceptional Pupil Funding from the DESE. For that school year, the district claimed and received $1,721 of exceptional pupil funding for a teacher's aide position. The district reported to the DESE that this individual worked one-half time, or 950 minutes per week, in the special education program. Per discussions with district personnel, this individual primarily performed duties for the special education teacher such as typing and clerical duties, and spent very little instructional time with the students. The district did not require this individual to maintain records of time worked to support the amounts reported to the DESE.

Section 162.975, RSMo 1994 states that a district shall receive exceptional pupil funding for professionals and paraprofessionals employed to work with handicapped children. Furthermore, the DESE guidelines for exceptional pupil funding authorize reimbursement for only those personnel required to implement special education and related services in a particular class. Individuals who perform secretarial, rather than instructional, duties do not appear to fall within these guidelines for authorized personnel to receive DESE exceptional pupil funding. Adequate record-keeping is necessary to ensure that the district only claims individuals and time worked which is allowable for reimbursement.

D. During the two years ended June 30, 1998, the district received proceeds from an insurance claim as a result of a fire at the school building on May 18, 1996. After the fire,

employees were instructed to list all items destroyed in their classrooms and offices, including personal items. Documentation in district files include lists of personal items lost by employees ranging from $68 to $1,236 each. The inventory listings submitted by the district to the insurance company included personal items, some of which were reimbursed to the district.

The Superintendent indicated that the district intends to reimburse employees for personal items lost which were covered by the insurance settlement. The district intends to make the payments after the district has paid all expenses related to the fire; however, no action has yet been taken. In order to resolve this matter, the school board should review the situation and determine how to handle the insurance proceeds received for personal items in a timely manner.

WE RECOMMEND the School Board:

A. Establish formal written policies for twelve month employees' vacation leave. In addition, formal leave records should be maintained for all employees receiving sick and vacation leave benefits.

B.1. Enter into written agreements with all employees that clearly detail the work to be performed and the compensation to be paid.

2. Ensure all teacher contracts are signed by the board president as required by state law.

C. Ensure that state laws and the DESE guidelines are followed and adequate documentation is retained when submitting information for exceptional pupil funding. The board should file an amendment with the DESE for the amounts claimed for the 1996-97 school year.

D. Resolve the issue of the fire insurance proceeds received for employees' personal items.

AUDITEE'S RESPONSE

A. We will develop a policy to cover leave for twelve month employees and design and maintain a procedure for keeping formal leave records on personnel and approved leaves.

B.1. We will implement this recommendation.

B.2. The approval of the offer of a contract in the Board minutes is a legally binding commitment but we will have the Board president sign all future personnel contracts to provide a more precise record of the personnel obligations of the district.

C. *The district no longer receives Exceptional Pupil Funding on the position in question. We will obtain from DESE the proper method of returning the difference in funding between a teacher aide and a clerk. Additionally, we will adjust, with guidance from DESE, any problems with the funding for this prior position.*

D. *We will review the claims for validity and will reimburse the claims at the limits established by the insurance company for the loss of personal items.*

6. Pupil Transportation Procedures

The district operates a transportation system which transports approximately 113 students per day. In the year ended June 30, 1998, district buses served five routes traveling approximately 420 miles per day in addition to providing transportation for other district activities including field trips, after-school activities, and sports activities. Section 163.161, RSMo 1994 provides for state aid to be distributed to districts for transporting students. For the year ended June 30, 1998, the district received $50,636 in state aid.

The district receives transportation state aid based on several factors, including the average number of students transported, number of miles traveled, and actual allowable transportation costs. The DESE has established guidelines, outlined in the *Missouri State Transportation Aid Document Preparation Manual* for districts to follow when applying for transportation aid. During our review of the district's procedures for tracking transportation information and applying for state aid, we noted the following concerns:

A. Section 163.161, RSMo 1994 requires the DESE to approve, at the beginning of the school year, all bus routes and determine the total miles each district should have for effective and economical transportation of the pupils. For the 1997-98 school year, the DESE approved a total of 462 daily miles for the district's five bus routes and a daily vocational school route which is contracted from another school district.

The DESE guidelines for tracking actual mileage during the year require the district to obtain beginning and ending odometer readings for the school year. The district is to track actual disapproved route miles, such as activity trips, and subtract these miles from the total miles calculated from the odometer readings.

The district may not follow the DESE guidelines when reporting actual mileage for the school year. Odometer readings are not maintained and used to calculate actual miles traveled. Instead, the district claims actual mileage by multiplying the original approved daily mileage by the number of days in session. For the 1997-98 school year, the district claimed a total of 80,388 miles.

This procedure may not provide an accurate accounting for actual miles traveled during the year. Bus routes may change as students move to and from the district and when students are absent from school. Procedures should be implemented by the district to ensure that mileage information submitted to the DESE is accurate.

B. The DESE requires school districts to take a count of students transported on the second Wednesday of each month during the school year. The monthly totals are used to calculate the eligible average daily transported (ADT) student to be reported on the application for state transportation aid.

Student counts reported by the district are not always accurate. We reviewed student counts taken by the district on September 10, 1997, and January 15, 1998 and compared the children claimed in the counts to attendance records for the count days. Six students claimed on the September count were either absent from school on the count day or were no longer enrolled in the district. In addition, ten students claimed on the January count were reported as absent on the count date. As a result of these errors, the district may receive more state aid than it is entitled to receive.

Procedures should be established to ensure student counts are accurate. One way to achieve this could be to compare student counts to attendance records on a test basis. To ensure the amount of state aid received is accurate, records should be maintained which adequately support the information reported on the application for state transportation aid.

WE RECOMMEND the School Board:

A. Follow DESE guidelines for calculating actual mileage to be claimed on the application for state transportation aid.

B. Ensure that student count reports used to calculate ADT accurately reflect the actual students transported on the transportation count days.

AUDITEE'S RESPONSE

A. We will review our procedures to ensure they comply with DESE guidelines for accurate reporting.

B. We will check our attendance records more closely to ensure counts are accurate.

7. Non-Resident Pupils

The school board is authorized by Section 167.151, RSMo 1994 to admit non-resident students and prescribe the tuition fee to be paid. The most recent school board policy on file, adopted on

June 12, 1994, indicates tuition rates shall be determined annually on the basis of the per-pupil cost for the preceding year. During the year ended June 30, 1998, the school district did not comply with its admissions policy for charging tuition to non-resident students attending the school district.

The district has an informal arrangement with the North Daviess R-III School District to allow residents of that district to attend the Pattonsburg R-II School District. This agreement has not been formally documented in writing. The agreement requires the Pattonsburg R-II School District to track the average daily attendance (ADA) for the North Daviess R-III School District residents. The North Daviess R-III School District in turn pays tuition to the Pattonsburg R-II School District at a rate of one-half of the state aid received per calculated non-resident ADA.

For the year ended June 30, 1998, 18 students from the North Daviess R-III School District attended the Pattonsburg R-II School District, at a calculated ADA of 13.36. The Pattonsburg R-II School District received $20,456, or $1,531 per calculated ADA, from the North Daviess R-III School District for serving its students. Pattonsburg R-II School District's per pupil cost for the 1996-97 school year was $6,753. In addition to not complying with board policy, the district is not recovering its costs for the services provided to the North Daviess R-II School District students.

WE RECOMMEND the School Board either comply with or re-evaluate its admissions policy regarding recovery of costs incurred for educating non-resident students. In addition, the Board should enter into a written contract with North Daviess R-III School District regarding non-resident students attending the district schools.

AUDITEE'S RESPONSE

We will take this issue under study for future years and review the validity and financial concerns of this finding.

8. Parents as Teachers (PAT) Program

The school district has been approved by the DESE to offer a parent education program under the Early Childhood Development Act (ECDA). The ECDA authorizes state funding to school districts that provide developmental screening and parent education to families with infants, toddlers, and preschool children. For the two years ended June 30, 1998, the school district received approximately $1,300 for services provided under the Parents as Teachers (PAT) program. During our review of the Parents as Teachers Program, we noted the following concerns:

A. According to district PAT documentation, the district served four families during the 1997-98 school year and three families during the 1996-97 school year. The families were each visited by the former PAT Coordinator one to four times during the school year. During an April 1998 review conducted by the DESE, it was noted that the district was providing

PAT services at a five percent level during 1996-97, as compared to the state average of 42 percent.

The school district currently does not have an operating PAT program. The former PAT Coordinator resigned at the end of the 1997-98 school year. The school district advertised the vacant PAT position in July 1998, but the position has not been filled.

Section 178.693, RSMo 1994 requires that if a district fails or is unable to offer an approved program of parent education, the district shall enter into a contract with another district, public agency or state approved not-for-profit agency offering an approved program of such services.

B. The school district is reimbursed by the DESE for personal visits and screening tests performed through the Parents as Teachers Program, as reported on the final report.

1) The district was reimbursed $369 for nine personal visits during the 1997-98 school year and $390 for nine visits during the 1996-97 school year. Each of these visits was supported by a personal visit report prepared by the former PAT Coordinator.

   Responses to our confirmations and to questionnaires disseminated by a parent group to these families indicated three visits in the 1996-97 school year claimed by the district were not made or did not include instruction by the former PAT Coordinator. The former PAT Coordinator stated all of the visits claimed were made.

2) The district claimed and was reimbursed $435 for 29 screening tests during the 1996-97 school year. No screening tests were claimed during the 1997-98 school year.

   During our review of the 1996-97 screening tests, we found documentation for only 22 screening tests rather than the 29 tests claimed. The former PAT Coordinator indicated that the district documentation was accurate and that the number of screening tests recorded on the final report was apparently incorrect. After our fieldwork completion date, documentation for an additional six tests was located leaving one test for which documentation could not be found.

The DESE guidelines for the PAT program require the district to maintain records to verify the services provided. Accurate and complete records are necessary to support reimbursement claims.

C. The district had a verbal agreement with the former PAT Coordinator to pay her the full amount of the PAT funding received by the district. The screening tests noted above were

performed by the district's kindergarten and preschool teachers, rather than the PAT Coordinator. The former PAT Coordinator indicated that she has performed the screening tests in the past; however, she was not involved in the process during the 1996-97 year. Since the district pays the PAT Coordinator the amount of funding received from the DESE, it appears she was paid $435 for services she did not provide.

D. During the 1996-97 school year, the district applied for and received a $4,690 Incentives for School Excellence Grant from the DESE to develop a PAT library. Items purchased with this grant included a laptop computer, books, games, and toys. The former PAT Coordinator was paid $750 for administrative work on this grant which consisted of ordering the items. The books, games, and toys were stored in boxes and the laptop computer was not in the possession of the district on September 24, 1998. The former PAT Coordinator indicated a parent had checked it out in May 1998. Although we were able to confirm this with the parent, it was not documented on a sign-out sheet. Sign out sheets maintained by the former PAT Coordinator, document the use of the PAT library by only two other families on one occasion.

The final report for the incentives grant which was submitted to the DESE indicated that 25 students had participated in the grant program. In addition, the district reported that 87 percent of the families enrolled in the PAT program had utilized the library on a monthly basis. As noted in A. above, the district claimed serving only three families during the 1996-97 school year. The former PAT Coordinator was unable to locate the documentation to support the information reported to the DESE.

Adequate records of items checked out and returned to the library is necessary to document and track the disposition of all district assets. In addition, final reports submitted to the DESE should be accurate and supported by documentation.

WE RECOMMEND the School Board:

A. Establish procedures to ensure that an effective PAT Program is in operation. If necessary, the board should contract with another entity to provide the services.

B. Ensure final reports submitted to the DESE are accurate and adequately supported by documentation. If necessary, the board should file an amended final report, for the 1996-97 year, and resolve any overpayments for the screenings. In addition, the board should investigate the differences between the visits claimed and the parental responses and determine whether any money is due back to the state.

C. Develop guidelines for paying individuals employed in the PAT program to ensure payments are made only for services provided. In addition, the Board should review payments to the former PAT Coordinator to determine if they were proper and whether any monies should be paid back to the district.

D. Ensure instructional materials are made available to parents and complete records are maintained for the PAT library; including name of individual checking out the item, date received, and date returned. Return dates should also be established for items checked out of the library. In addition, the Board should ensure that final grant reports submitted to the DESE are accurate and adequately supported by documentation.

AUDITEE'S RESPONSE

A. We have begun the work on continuing and improving our PAT program.

B&C. We will review this situation and take whatever action is determined to be necessary. The expanded PAT program will be designed with procedures to document visits made, services provided, and screenings done.

D. We will design, in the expanded PAT program, a check-out system for instructional materials designated for the PAT program. The procedures designed for the expanded PAT program will insure that all future reports submitted to DESE will be accurate, complete, and signed by the personnel providing the service and the families receiving the services.

9. Student Activity Funds

Individual school organizations have a separate activity account which includes the organization's fundraising monies. During our review of student activity fund procedures, we noted the following areas of concern:

A. Prior to February 1998, the high school cheerleader organization fund was maintained outside of the school district's accounting system by the Superintendent's wife who was the cheerleader sponsor. During February 1998, the cheerleader sponsor turned the $652 account balance over to the district.

During our review of the cheerleader account disbursements from April 1997 to June 1998, we noted the following:

1) While the cheerleading funds were held outside of the district, the district did not effectively monitor the activities and transactions of the account. Although the Superintendent indicated that he approved all expenditures made by the sponsor, this approval was not documented.

The district does not have a current written policy for accounting records, internal controls, and procedures for any student activity funds. Allowing district funds to be maintained outside of the school district without adequate monitoring increases

the risk of misuse of these monies. A proposed policy has been submitted to the school board which requires all funds, including student activity funds, be maintained under the jurisdiction of the superintendent and the school principals.

2) Disbursements were not always made by check. We noted instances in which disbursements were made from cash receipts on hand.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact and all disbursements should be made by check.

3) Adequate documentation was not retained to support many cheerleading expenditures. We noted purchases of trophies, shirts, and advertisements for which no supporting documentation could be found. For other expenditures reviewed, the only documentation available was a canceled personal check written by the cheerleader sponsor who was reimbursed by the cheerleading account. There was no invoice or other documentation to support the expenditures. Adequate documentation is necessary to ensure that all expenditures are reasonable and necessary. In addition, maintaining proper controls over cash disbursements decreases the risk of unauthorized disbursements.

B. In April 1998, the Superintendent was issued a check for $3,344, the balance in the senior class account, to pay for senior trip expenses. An itemized expense report accounting for these funds and supporting documentation was not prepared or retained.

C. During July 1998, five students and a teacher attended the Future Homemakers of America (FHA) National Convention in New Orleans. The school board approved payment of travel expenses and registration for one student and the teacher. Although the cost of airline tickets for the remaining students, totaling $896, was to be paid from the FHA student activity fund, the amount was charged to a district operating account instead. As a result district funds were used for this expense. Proper coding of student activity receipts and disbursements is necessary to ensure that the school district does not pay for expenditures that are the responsibility of a student organization.

WE RECOMMEND the School Board:

A.1. Ensure all student activity accounts are maintained by the school district and that there is adequate supervisory review of those accounts.

2. Require disbursements be made by check only.

A.3. &B. Require adequate documentation be retained to support all expenditures made from the student activity funds. In addition, the board should request an accounting of monies paid

to the Superintendent for the senior class trip. Any monies not adequately accounted for should be reimbursed to the district.

C. Ensure expenditures from student activity funds are properly coded to accounting records, and make necessary correcting entries to charge FHA expenditures to the appropriate fund.

AUDITEE'S RESPONSE

A&B. We will review our policy governing student activity funds. The Board has requested a financial report on the student activity fund balances to examine how these funds are managed.

C. This coding error has been corrected.

10. Board Policies and Procedures

A. During our review of the minutes of school board meetings, we noted the following concerns:

1) The school board frequently holds closed meetings. When the board closes its meetings, a vote is taken and documented; however the minutes do not always indicate the reasons for closing the meeting. Section 610.022, RSMo 1994, requires that before any meeting may be closed, the question of holding the closed meeting shall be voted on at an open session. The vote and the specific reason listed in Chapter 610 for holding the closed meeting should be entered into the minutes. Although the reason for the closed meeting is usually posted publicly on the meeting agenda, it is not always documented in the regular minutes as required by Chapter 610.

2) The board minutes are prepared by the board secretary and approved by the board at subsequent meetings. The board minutes are not signed at the time of board approval, but are usually signed at the end of the fiscal year. The minutes from July 1997 to September 1998 had not been signed at the time of our review. The board minutes should be signed at the time they are approved by the board secretary as preparer and the president of the school board to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meeting.

B. The district adopted the official Board of Education Policies and Regulations Manual developed by the Missouri School Board Association (MSBA) in October 1991. This manual includes policies and procedures relating to expenditures, bidding, budgets, and

personnel issues. At the time of our review, district personnel were unable to locate a copy of the district policy manual. As a result, it was unclear what district policies had been established by the school board. The school board is in the process of reviewing proposed new board policies. To adequately inform district personnel of district policies and to ensure compliance with the policies, these policies should be maintained by the district and made available to all employees.

WE RECOMMEND the School Board:

A.1. Ensure minutes are prepared and retained for all closed meetings and that documentation is adequate to demonstrate compliance with state law.

2. Ensure board minutes are signed by the Board President and Board Secretary upon approval to attest to their completeness and accuracy.

B. Ensure board policies are developed and maintained by the district.

AUDITEE'S RESPONSE

A. This recommendation will be implemented.

B. We are in the process of approving a new policy service manual for district activities. After this is completed, we will ensure copies are maintained in the proper locations.

11. General Fixed Asset Records and Procedures

A. The school district has not established a permanent detailed record of the property owned by the district. The district requires teachers to prepare an annual inventory list of their classrooms; however, a supervisory review of changes made from year to year is not performed. Adequate property records are necessary to secure better internal control over property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with school monies are being utilized by the school district.

Without these records, the district does not have a reliable record of property owned. In addition, the district is unable to prepare and present in its financial statements a statement of changes in general fixed assets or a general fixed assets account group, as required by generally accepted accounting principles.

B. Prenumbered inventory tags that identify fixed asset items as "Property of Pattonsburg R-II School District" are not utilized by the district. Prenumbered tags, when affixed to property items, allow for identification of the property in the records and limit the potential

for personal use of school district assets.

WE RECOMMEND the School Board:

A. Require general fixed asset records be maintained on a current basis.

B. Ensure prenumbered inventory tags that label each item as "Property of Pattonsburg R-II School District" are attached to all property and equipment.

AUDITEE'S RESPONSE

A&B. We are in the process of developing records of fixed assets owned by the District. We would like to develop an inventory system which would utilize tags labeled with a bar coding system to better maintain our inventories in an accurate manner.

This report is intended for the information of the school board and district's management. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

CITY OF CAMDEN, MISSOURI

YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-15
March 18, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Camden, Missouri.

NOTE: Recommendations as well as responses from the city which correspond with the findings below are included in the audit.

The city did not have formal written bid policies and procedures. Also, the city did not have any written agreements with any contractors or individuals who provided street related services. Invoices relating to street services were somewhat incomplete listing only the numbers of hours worked by individuals, and not listing days worked or locations where work was performed.

The Board of Aldermen had not been reviewing and approving the payment of city expenditures prior to disbursements being made. The board simply reviewed previous month expenditures. Expenditures made from city funds should be reviewed and approved by the Board of Aldermen before payment is made to ensure all disbursements represent valid operating costs of the city.

The board had not appointed an individual to serve as City Treasurer or City Collector. The City Clerk is currently serving as both City Treasurer and City Collector. An Attorney General's Opinion concludes that one person holding any more than one of these offices doesn't ensure a system of checks and balances intended by state law.

Furthermore, receipt slips were not being issued for monies received by the city. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received.

Two instances are noted in which individuals did not meet the statutory qualifications for holding city office when elected.

> **In April 1998, Alderwoman Cravens was nineteen when she was elected to the board. By law she should have been at least twenty-one years of age.**
>
> **In April of 1997, Alderman Edelbrock was elected Mayor even though he wasn't a registered voter of the city until March 1998. Mr. Edelbrock resigned as Mayor in April of 1998, and was appointed to serve on the board of Alderman after he registered to vote.**

Historical information regarding Camden City Government can be found on pages 4-5.

CITY OF CAMDEN, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Camden
Camden, Missouri 64017

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Camden, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

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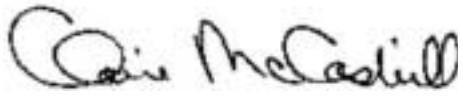
Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Camden, Missouri.



Claire McCaskill
State Auditor

December 18, 1998

HISTORY AND ORGANIZATION

CITY OF CAMDEN, MISSOURI
HISTORY AND ORGANIZATION

The city of Camden is located in Ray County. It was incorporated in 1846 and is a fourth-class city. The population of the city in 1990 was 238.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended June 30, 1998	Amount of Bond
Patricia Richardson, Mayor	April 1999	$ 325 (3)	
Dana Cravens, Alderwoman	April 1999	60	
Dale Dunwoodie, Alderman (1)	April 1999	265 (3)	
Zane Edelbrock, Alderman	April 2000	525 (3)	
James Happy, Alderman (2)	April 2000	0	
Other Principal Officials			
Sharon Dailey, City Clerk		2,811 (4)	$ 10,000
George Lehnen, City Attorney		540	

(1) Resigned in September 1998. John Rinkenbaugh was appointed in October 1998.
(2) James Happy elected not to take compensation. He resigned in September 1998 and Gene Wyse was appointed to replace him in October 1998.
(3) Includes a $25 Christmas bonus.
(4) Includes a $50 Christmas bonus.

Assessed valuation and tax rate information for 1998 and 1997 are as follows:

ASSESSED VALUATION

		1998	1997
Real estate	$	415,150	416,240
Personal property		223,275	251,925
Railroad and utilities		291,138	268,170
Total	$	929,563	936,335

TAX RATES PER $100 ASSESSED VALUATION

General	$	.48	.47
Street		1.36	1.34

Total	$	1.84	1.81

::

A summary of the financial activity for the city of Camden for the year ended June 30, 1998, is presented below:

	General Fund	Street Fund	Total
RECEIPTS			
Property taxes	$ 4,571	12,518	17,089
Franchise taxes	0	3,250	3,250
Motor fuel taxes	0	9,280	9,280
City stickers	0	360	360
Licenses	275	0	275
Farm income	1,622	0	1,622
Rent	500	0	500
Interest	0	289	289
Loan from Street Fund	600	0	600
Other	2	125	127
Total Receipts	7,570	25,822	33,392
DISBURSEMENTS			
Salaries and payroll taxes	4,448	0	4,448
Contract labor	63	4,185	4,248
Street lights	0	4,305	4,305
Utilities	609	0	609
Attorney fees	540	0	540
Fire protection	0	900	900
Insurance	50	409	459
Street signs	0	1,844	1,844
Street materials	0	2,360	2,360
Postage	152	0	152
Election costs	146	0	146
Farm expenses	1,004	0	1,004
Equipment maintenance and repair	0	851	851
Equipment	0	360	360
911 services	0	100	100
Loan to General Fund	0	600	600
Other	940	462	1,402
Total Disbursements	7,952	16,376	24,328

RECEIPTS OVER (UNDER) DISBURSEMENTS	-382	9,446	9,064
CASH BALANCE, JULY 1,	1,802	17,381	19,183
CASH BALANCE, JUNE 30,	$ 1,420	26,827	28,247

MANAGEMENT ADVISORY REPORT

CITY OF CAMDEN, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 9-11)

The city does not have a formal bidding policy. The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursements being made. The city did not have any written agreements with any contractors or individuals who provided street-related services and the related invoices were not adequate. Instances were noted in which expenses related to General Fund activities were paid from the Street Fund; however, these amounts were offset by unrestricted revenues deposited to the Street Fund. The receipt of goods and services was not always indicated on invoices prior to being approved for payment.

2. Payments to City Officials and Payroll Matters (pages 11-13)

In addition to the regular compensation allowed, additional payments totaling approximately $4,000 were made to various former or current city officials. In December 1997, the city's elected officials and City Clerk received Christmas bonuses of $25 and $50, respectively. The city did not properly report the total compensation paid, withhold payroll taxes, or pay the employer's share of social security on salaries and bonuses paid the Board of Aldermen and City Clerk. The City Clerk is not required to submit a monthly time sheet. Ordinances have not been adopted to establish the compensation and duties of the city's elected officials and the City Clerk.

3. Budgets and Financial Reporting (pages 13-14)

The city does not prepare or adopt annual budgets, and semi-annual financial statements have not been published as required by state law.

4. Qualifications of City Officials (page 14)

Two instances were noted in which individuals did not meet the statutory qualifications for holding city office when elected.

5. Accounting Controls and Procedures (pages 15-16)

The board has not appointed separate individuals to serve as City Treasurer or City Collector. Receipt slips are not issued for monies received by the city and the method of payment is not recorded. Checks are not restrictively endorsed immediately upon receipt. The Mayor can sign checks but is not bonded.

6. Fixed Assets (pages 16-17)

The city does not maintain property records to account for its fixed assets. It appears the city gave a tractor to a local contractor in exchange for work done on the city's streets. In addition, the city allowed an individual who had been hired to do trimming work to keep a chainsaw owned by the city. No documentation could be located indicating the board approved either of these decisions.

7. Property Tax Procedures (pages 17-18)

Monthly and annual reports are not prepared summarizing the amount of property taxes collected as well as those that remain delinquent. Public hearings have not been held prior to establishing the property tax rates and the annual tax rates have not been established by ordinance.

8. Street Maintenance Plan (page 18)

An annual maintenance plan for city streets has not been prepared.

9. Board Minutes and Ordinances (pages 19-20)

The board minutes are not signed by either the City Clerk or the Mayor. The board minutes do not always adequately document matters discussed and actions taken. The city's ordinances are not complete and up-to-date. The city does not have a formal policy regarding public access to city records.

1. Expenditures

A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past several years, bids were either not solicited or bid documentation was not retained in some instances. Examples include $4,500 for a tractor, $5,000 for a skid loader, and $5,172 for street work and materials.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursements being made. A financial report is prepared monthly by the City Clerk which includes a detailed listing of all expenditures by fund; however, the expenditures represent the preceding month's activities.

Expenditures made from city funds should be reviewed and approved by the Board of Aldermen before payment is made to ensure all disbursements represent valid operating costs of the city. In addition, to adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

C. The city did not have any written agreements with any contractors or individuals who provided street-related services during the year ended June 30, 1998. Section 432.070, RSMo 1994, requires all contracts of the city to be in writing. A written contract is necessary to document the duties and responsibilities of both parties and to prevent misunderstandings.

In addition, the invoices submitted for street work listed only the total hours worked for a time period and did not generally include the days the work was performed, the specific work performed, or the location of the work. Invoices for street work should include sufficient detail to adequately document the time, nature, and location of any street work performed.

D. We noted instances in which expenses related to General Fund activities totaling $1,661 were paid from the Street Fund. These included attorney fees, fire protection, 911 services, farm expenses, and city hall utilities. In addition, in September 1997 the city loaned $600 to the General Fund from the Street Fund due to the low cash balance in the General Fund. This money had not been repaid as of January 1999. However, it appears these amounts were more than offset by unrestricted (general) revenues which were deposited to the Street Fund or applied directly to expenses of the Street Fund. During the year ended June 30, 1998, city sticker revenues totaling $352 were deposited to the Street Fund. In addition, utility franchise taxes totaling $3,147 were netted by the utility company against the cost of electricity for the city's street lights.

   The city should ensure expenses related to general municipal activities are paid from the General Fund and that restricted revenues deposited to the Street Fund are used only for street-related purposes. In addition, revenues not specifically restricted for street purposes should be deposited to the General Fund.

E. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. The documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

WE RECOMMEND the Board of Aldermen:

A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.

B. Review and approve the expenditure of city funds prior to the disbursements being made. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.

C. Enter into written contracts for all services (including street-related work) which define the duties and responsibilities of both parties. In addition, the board should ensure invoices submitted for services include sufficient detail to adequately document the time, nature, and location of the work performed.

D. Ensure restricted revenues deposited to the Street Fund are used only for street purposes. In addition, revenues not specifically restricted for street purposes should be deposited to the General Fund.

E. Ensure the receipt of goods or services is indicated on invoices prior to them being approved for payment.

AUDITEE'S RESPONSE

A-E. The Board of Aldermen concurs.

2.	Payments to City Officials and Payroll Matters

A. In addition to the regular compensation allowed to the city's elected officials, we noted the following additional payments to former or current city officials while they were serving as elected city officials:

* During the period January 1995 through April 1998, while serving as a city official, Alderman Edelbrock was paid a total of $1,925 for snow removal and street work.

* During the period January 1995 through February 1996, former Mayor Schreier was paid a total of $1,392 for street work.

* During the period April 1998 through September 1998, former Alderman Dunwoodie was paid $588 for street work.

* During the period May 1995 to October 1995, former Alderwoman Pauley was paid $100 for mowing.

These services were not bid and supporting documentation could not be located or was inadequate to support most of these transactions. In addition, authorization of this work was generally not documented in the board minutes.

Some of these payments also represent potential violations of state law. At the time these transactions occurred, Section 105.454, RSMo 1994, prohibited financial transactions between a city and an officer or employee (or spouse, dependent child, or business and corporate interest of the officer or employee) of that city that involved more than $500 per year unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received. In 1998, this threshold was changed to $500 per transaction or $1,500 per year.

In addition, none of these payments were reported on IRS 1099-Misc forms. Sections 6041 to 6051 of the Internal Revenue Code require that nonwage payments of at least $600 in one year to an individual or unincorporated business be reported to the federal government on 1099-Misc forms.

B. In December 1997, the mayor and board members each received Christmas bonuses of $25 and the City Clerk received a Christmas bonus of $50. Similar bonuses were paid in 1996.

These bonuses appear to represent additional compensation for services previously rendered and, as such are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

C. For the year ended June 30, 1998, the city only reported, withheld payroll taxes, and paid the employer's share of social security on the regular wages paid to the City Clerk. Salaries paid to the elected city officials and bonuses paid were not reported nor were payroll taxes properly withheld and paid on these amounts. Similar problems were noted for the year ended June 30, 1997.

   The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 1994, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 1994, defines an elective or appointive officer or employee of a political subdivision as an employee for social security tax purposes.

D. The City Clerk is paid based on the number of hours worked; however, the city does not require that individual to submit a monthly time sheet or other detailed record as documentation to support the number of hours worked. Time sheets or similar records are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked.

E. The city has not adopted ordinances to establish the compensation and duties of the city's elected officials and the City Clerk. Sections 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials and employees to be set by ordinance.

WE RECOMMEND the Board of Aldermen:

A. Refrain from entering into business transactions with city officials unless such services or transactions are properly bid in accordance with state law. In addition, the board should ensure such payments are reported to the IRS, if applicable.

B. Discontinue paying Christmas bonuses to elected city officials and employees.

C. Ensure all compensation paid to city officials is properly reported and appropriate payroll taxes are withheld and paid. In addition, the city should consider filing amended W-2 forms for the unreported employee compensation.

D. Require the City Clerk to prepare monthly time sheets or other similar documentation to support the hours worked.

E. Establish the duties and compensation of all city officials and employees by ordinance as required by statute.

AUDITEE'S RESPONSE

A. The Board of Aldermen concurs and indicated the snow removal services were bid out this year.

B. The Board of Aldermen concurs and indicated such bonuses were not paid in December 1998.

C. The Board of Aldermen indicated it will implement this recommendation effective in 1999.

D. The Board of Aldermen indicated this recommendation has already been implemented.

E. The Board of Aldermen concurs.

3. Budgets and Financial Reporting

A. The city does not prepare and adopt annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

B. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.

WE RECOMMEND the Board of Aldermen:

A. Prepare annual budgets in accordance with state law, and make periodic comparisons between budgeted and actual revenues and expenditures.

B. Publish semi-annual financial statements as required by state law.

AUDITEE'S RESPONSE

A&B. The Board of Aldermen concurs.

4. Qualifications of City Officials

Two instances were noted in which individuals did not meet the statutory qualifications for holding city office when elected as follows:

A. Alderwoman Cravens was nineteen when she was elected in April 1998 to a one-year term to complete the term of an open seat on the Board of Aldermen. Section 79.070, RSMo 1994, provides that no person shall be an aldermen unless that individual is at least twenty-one years of age.

B. Alderman Edelbrock was elected Mayor in April 1997; however, he did not become a registered voter of the city until March 1998. Alderman Edelbrock also served on the Board of Aldermen prior to being elected Mayor.

Elected city officials are required to be registered voters of that particular municipality. Section 79.250, RSMo 1994, states that "All officers...shall be voters under the laws and constitution of this state and the ordinances of the city... except that appointed officers need not be voters of the city."

Mr. Edelbrock resigned as Mayor in April 1998 and was subsequently appointed to serve on the Board of Aldermen. He did meet the voter qualification to hold office at the time of this appointment.

WE RECOMMEND the Board of Aldermen ensure candidates for city office possess the statutory qualifications for holding office.

AUDITEE'S RESPONSE

The Board of Aldermen concurs.

5. Accounting Controls and Procedures

A. The board has not appointed individuals to serve as City Treasurer or City Collector. The City Clerk is currently serving as the City Treasurer and City Collector. She collects all receipts, maintains receipt and disbursement records, makes bank deposits, signs checks, reconciles the bank accounts, and serves as secretary to the board. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. One person holding all of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

B. Our review of the controls over receipts noted the following concerns:

1. Receipt slips are not issued for monies received by the city. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.

2. The method of payment received (i.e. cash, check, money order) is not recorded on the receipts ledger. To ensure all receipts have been recorded properly and deposited intact, the method of payment received should be recorded on each receipt slip and the composition of receipt slips should be reconciled to the composition of bank deposits.

3. Checks are not restrictively endorsed immediately upon receipt. Instead, they are endorsed when the deposit is made. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

C. The Mayor can sign checks but is not bonded. Failure to adequately bond all persons with access to assets exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

A. Consider appointing separate individuals to the positions of City Treasurer and City Collector. At a minimum, there should be a documented periodic supervisory review of the City Clerk's records, including the bank reconciliations.

B.1. Require prenumbered receipt slips to be issued for all monies received, and ensure the numerical sequence of receipt slips is accounted for properly.

2. Ensure the method of payment is recorded on each receipt slip and the composition of receipts is reconciled to the composition of bank deposits.

3. Restrictively endorse all checks immediately upon receipt.

C. Consider obtaining bond coverage for the Mayor or any other city official authorized to sign checks.

AUDITEE'S RESPONSE

A. The Board of Aldermen indicated an individual on the board has recently been performing a review of the City Clerk's records. This will be documented in the future.

B.1. &2. The Board of Aldermen concurs.

3. The Board of Aldermen indicated this recommendation has already been implemented.

C. The Board of Aldermen concurs.

6. Fixed Assets

A. The city does not maintain property records to account for its fixed assets. In addition, the city has not tagged or otherwise identified items as belonging to the city.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned by the city and provide a basis for determining adequate insurance coverage.

B. During our review of fixed asset purchases and dispositions, we noted the following concerns:

1. During the fall of 1997, it appears the city gave a tractor to a local contractor in exchange for work done on the city's streets. No records could be located by the city to support this transaction or to document that the board approved the exchange of this property for services. In addition, no records were available to support the value of the tractor when disposed of; however, the contractor indicated he allowed approximately $1,200 for the value of the tractor.

2. In July 1996, the city purchased a lightweight chainsaw for $115 to be used to trim trees and shrubs. In March 1998, the city purchased a heavier duty chainsaw. According to an alderman, the city allowed the individual who had been hired to do the trimming work to keep the lightweight chainsaw because it was worn out. No documentation could be located indicating the board approved this decision.

The Board of Aldermen should review these transactions and determine whether these property dispositions were valid and appropriate. In addition, in the future, board approval of the disposition of city assets should be obtained and documented in the minutes.

WE RECOMMEND the Board of Aldermen:

A. Establish property records for its general fixed assets that record all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent transactions. In addition, the city should properly tag or otherwise identify all city property.

B. Review the circumstances surrounding the disposition of these property items and determine if the dispositions were valid and appropriate. In addition, in the future, board approval should be obtained and documented related to the disposal of any city-owned property.

AUDITEE'S RESPONSE

A&B. The Board of Aldermen concurs.

7. Property Tax Procedures

A. The City Clerk's duties include collecting and depositing property tax receipts. Monthly and annual reports are not prepared summarizing the amount of property taxes collected as well as those that remain delinquent.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of the delinquent taxes. Section 94.330, RSMo 1994, also provides that the board may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.

B. Public hearings have not been held prior to establishing the property tax rates. Section 67.110, RSMo 1994, states at least one public hearing is to be held on proposed rates of tax prior to the board's approval of the rates. Also, the board did not establish the annual tax rates by ordinance as required by Section 94.210, RSMo 1994.

WE RECOMMEND the Board of Aldermen:

A. Require monthly and annual reports of property taxes collected and delinquent as required by state law.

B. Ensure public hearings are held on proposed property tax rates and establish the annual levies by ordinance as required by state law.

AUDITEE'S RESPONSE

A&B. The Board of Aldermen concurs.

8. Street Maintenance Plan

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Aldermen concurs.

9. Board Minutes and Ordinances

A. The board minutes are prepared by the City Clerk; however, the minutes are not signed by either the City Clerk or the Mayor. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

B. The board minutes do not always adequately document matters discussed and actions taken. For example, in April 1998 the mayor resigned; however, at that same meeting this individual was apparently appointed to an open seat on the Board of Aldermen. While the resignation was documented in the minutes, the vote related to the subsequent appointment was not. In another instance, the board minutes did not document an alderman's refusal to accept compensation for serving as a board member. In addition, the minutes did not include some information required by state statute. There were numerous instances where the minutes indicated that a decision was made but did not indicate the number of votes for and against.

Section 610.020, RSMo 1994, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes provide an official record of board actions and decisions.

C. The city's ordinances are not complete and up-to-date. It appears some of the city's ordinances are missing while others are old and outdated. In addition, as noted in other parts of this report, ordinances have not been adopted in some instances where required. For example, the city has not adopted ordinances to establish the compensation and duties of city officials or to establish the annual property tax rates as required by law.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner.

D. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail such requests, and should establish a cost for providing copies of public records.

Section 610.023, RSMo 1994, lists requirements for making city records available to the public. Section 619.026, RSMo 1994, allows the city to charge fees for copying public records, but the fees shall not exceed the city's actual cost of document search and duplication.

WE RECOMMEND the Board of Aldermen:

A. Ensure board minutes are signed by the Mayor and the City Clerk to attest to their completeness and accuracy.

B. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.

C. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.

D. Establish a formal written policy and procedures regarding public access to city records.

AUDITEE'S RESPONSE

A. The Board of Aldermen indicated this recommendation has already been implemented.

B-D. The Board of Aldermen concurs.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

AUDIT REPORT

STATEWIDE SINGLE AUDIT
YEAR ENDED JUNE 30, 1998

From The Office Of State Auditor
Claire McCaskill

Report No. 99-14
March 9, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

YELLOW SHEET

Some problems were discovered as a result of the Single Federal Audit conducted by our office. The Single Audit meets federal requirements and covers expenditures of federal awards totaling $4.7 billion by the state during the year ended June 30, 1998. The Single Audit is the most comprehensive government audit conducted by the state auditor's office; almost two-thirds of the federal funding involved goes to the Missouri Department of Social Services. Our findings and recommendations, as well as agency responses, begin on page 26. The following findings are especially noteworthy.

Department of Social Services / Division of Family Services:

< Thousands of individuals were receiving welfare benefits who have not had their Social Security number verified and entered into the state computer system which is fundamentally important to ensure the ability to check for fraud, overpayment, or duplicate payments. We found that more than nine-thousand welfare recipients did not have a social security number in the state's computer system. (See Eligibility-Social Security Number # 98-18 / pages 47-48)

< The lack of action by caseworkers has in some cases led to the continuation of welfare benefits even when the person has died. (See Eligibility-Death Match #98-16 / pages 44-46)

Missouri Department of Transportation:

< The state transportation department needs to ensure that local agencies solicit bids from at least three engineering firms for bridge projects. Other audits have noted that some counties do not solicit bids which is restrictive and exclusive, and contrary to state law. (See Subrecipient Monitoring # 98-8 / pages 33-35)

Department of Social Services / Division of Medical Services:

< We discovered that some nursing homes are being paid by the state for patients who are in hospice care. In addition, the hospice care is also being paid for by the state. During the year ended June 30, 1998, overpayments of $159,380 were noted. It appears this double dipping may have existed since May 1989, when hospice providers began receiving nursing

(over)

home per diems. (See Nursing Home and Hospice Claim Overpayments # 98-25 / page 55)

< We also discovered that medicaid benefits totaling $108,221 were paid for persons after they had died. (See Ineligible Payments #98-24 / page 54)

< The Division of Medical Services has not collected $423,670 owed to the state from drug companies. (See Drug Rebate Program #98-26 / pages 55-56)

< The division also overpaid $301,096 to one hospital and has not collected $815,972 owed to the state from another hospital. (See Hospital Overpayments #98-28 / pages 58-60)

Department of Elementary and Secondary Education:

< The state may have to return $261,149 to the federal government because the grant funds were not used by the federal government's deadline. (See Period of Availability of Funds #98-5 / pages 30-31)

STATE OF MISSOURI
SINGLE AUDIT

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SINGLE AUDIT

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INTRODUCTORY SECTION

CLAIRE C. McCASKILL
Missouri State Auditor

LETTER OF TRANSMITTAL

Honorable Mel Carnahan, Governor
and
Members of the General Assembly

I am pleased to submit the report on the Single Audit of the state of Missouri, covering the fiscal year ended June 30, 1998.

The United States Congress passed the Single Audit Act of 1996 to establish new requirements for audits of states, local governments and non-profit organizations with respect to federal award programs. The Office of Management and Budget (OMB) revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to prescribe policies, procedures, and guidelines to implement the new Single Audit Act.

The Single Audit conducted by my office meets the requirements of the Single Audit Act of 1996 and covers expenditures of federal awards totaling nearly $4.7 billion by the state during the year.

The following charts and graphs provide summary information related to the expenditure of federal awards for the state of Missouri.

Claire McCaskill
State Auditor

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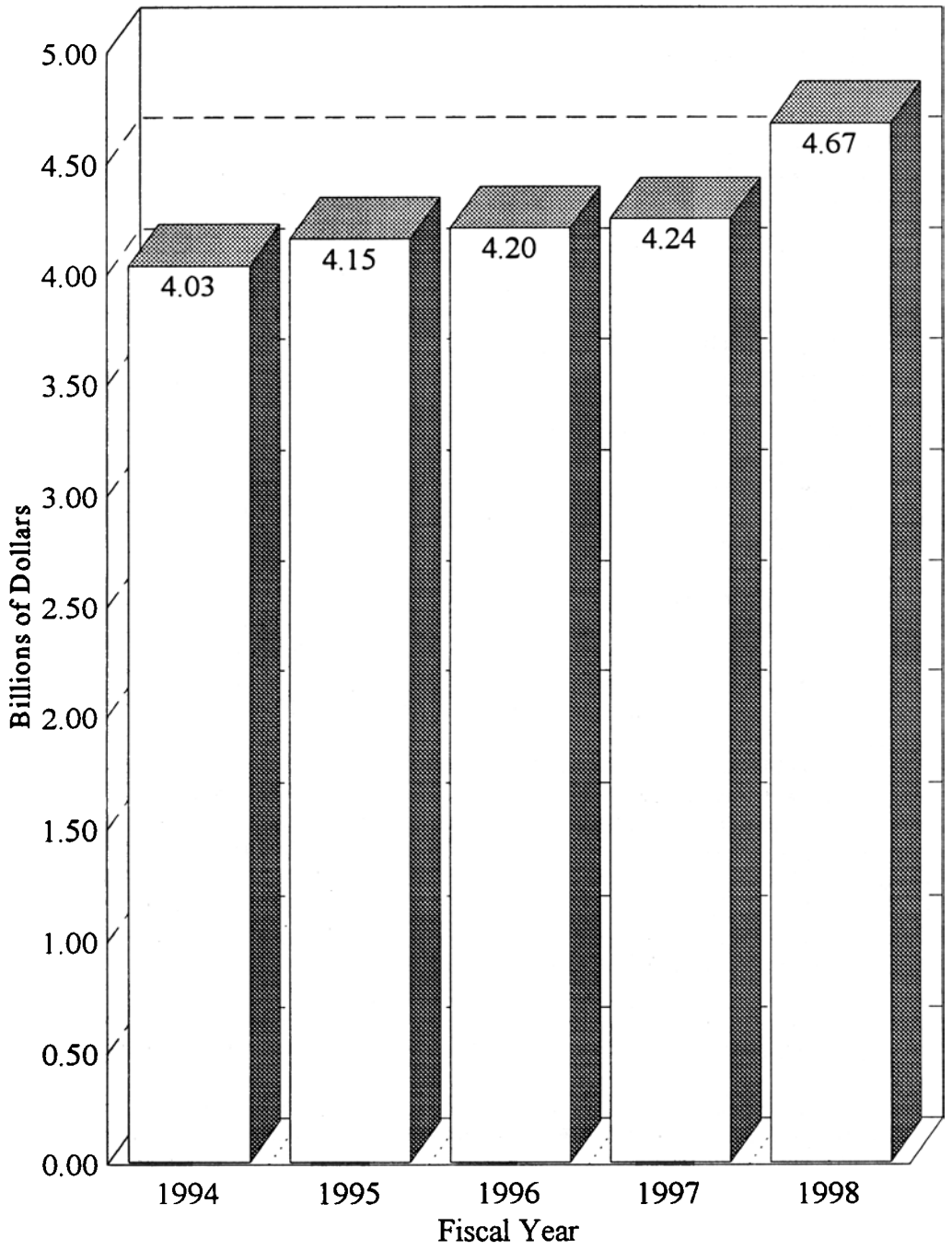
STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1998

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
10.550	Food Distribution	Agriculture	$ 15,163,139
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	351,756,741
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	38,976,899
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	23,643,145
10.555	National School Lunch Program	Agriculture	89,969,604
10.556	Special Milk Program for Children	Agriculture	400,971
10.559	Summer Food Service Program for Children	Agriculture	4,673,354
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	64,886,991
10.558	Child and Adult Care Food Program	Agriculture	28,185,356
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	35,650,137
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	Interior	10,618,843
15.611	Wildlife Restoration	Interior	7,373,019
	Employment Service Cluster:		
17.207	Employment Service	Labor	15,428,724
17.801	Disabled Veterans' Outreach Program	Labor	1,523,625
17.804	Local Veterans' Employment Representative Program	Labor	1,787,583
17.225	Unemployment Insurance	Labor	322,884,967
	Job Training Partnership Act Cluster:		
17.246	Employment and Training Assistance - Dislocated Workers	Labor	13,845,516
17.250	Job Training Partnership Act	Labor	28,293,831
20.205	Highway Planning and Construction	Transportation	397,656,830
66.458	Capitalization Grants for State Revolving Funds	Environmental Protection Agency	39,119,942
84.010	Title I Grants to Local Educational Agencies	Education	116,957,879
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	56,348,040
84.173	Special Education - Preschool Grants	Education	5,249,895
84.032	Federal Family Education Loans	Education	80,267,525
84.048	Vocational Education - Basic Grants to States	Education	19,201,826
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	51,645,391
	Aging Cluster:		
93.044	Special Programs For The Aging - Title III, Part B - Grants For Supportive Services and Senior Centers	Health and Human Services	7,167,900
93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services	Health and Human Services	11,852,430
93.558	Temporary Assistance for Needy Families	Health and Human Services	172,181,336
93.563	Child Support Enforcement	Health and Human Services	34,415,067
93.568	Low-Income Home Energy Assistance	Health and Human Services	24,617,360
93.575	Child Care and Development Block Grant	Health and Human Services	23,391,411
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	45,149,917
93.658	Foster Care - Title IV-E	Health and Human Services	61,821,857
93.667	Social Services Block Grant	Health and Human Services	47,341,938
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,077,844
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	7,212,207
93.778	Medical Assistance Program	Health and Human Services	2,010,816,252

93.959	Block Grant for Prevention and Treatment of Substance Abuse	Health and Human Services	17,792,590
96.001	Social Security - Disability Insurance	Social Security Administration	30,646,765
	Total Type A Programs (expenditures greater than $13.5 million)		4,316,994,647
	Total Type B Programs (expenditures less than $13.5 million)		349,291,886
	Total Expenditures of Federal Awards		$ 4,666,286,533

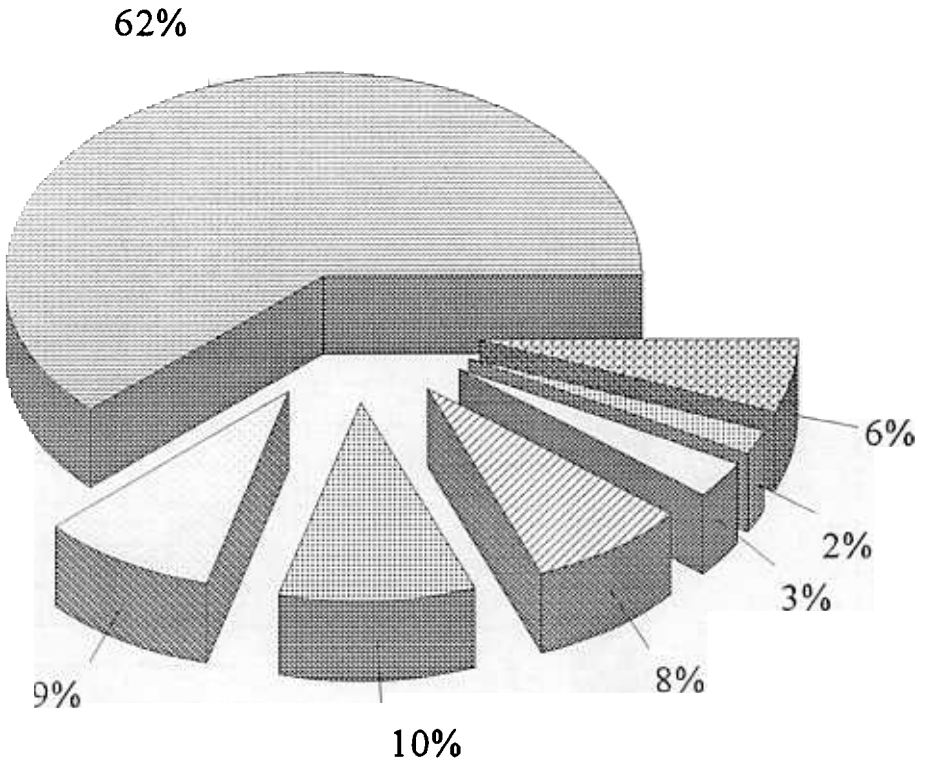
STATE OF MISSOURI

TOTAL EXPENDITURES OF FEDERAL AWARDS
FIVE YEAR COMPARISON



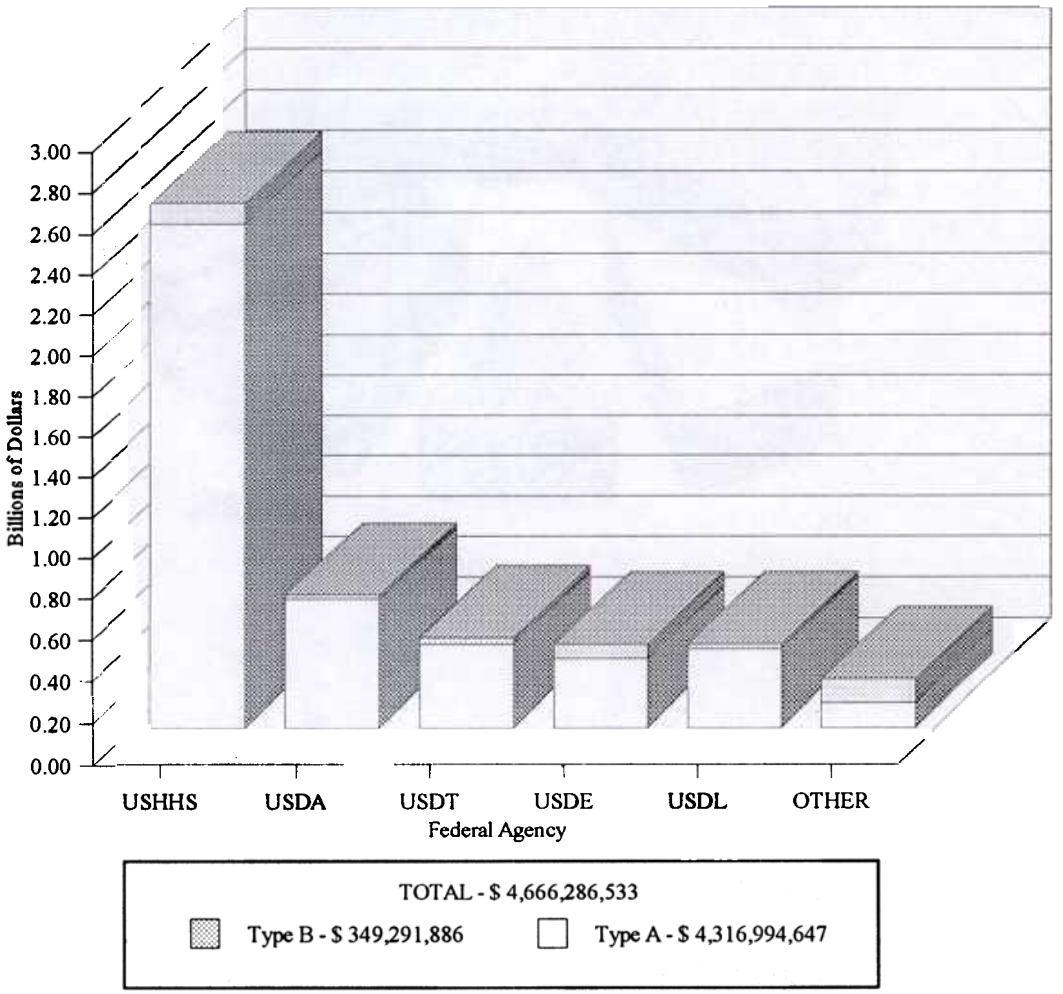
STATE OF MISSOURI

EXPENDITURES OF FEDERAL AWARDS BY STATE DEPARTMENT
YEAR ENDED JUNE 30, 1998



STATE OF MISSOURI

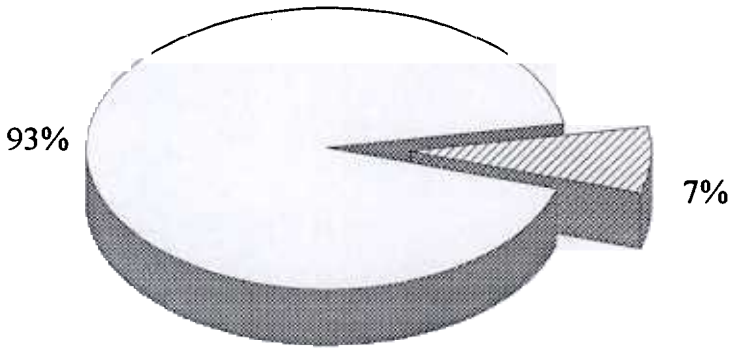
EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
YEAR ENDED JUNE 30, 1998



USHHS	United States Department of Health and Human Services
USDA	United States Department of Agriculture
USDT	United States Department of Transportation
USDE	United States Department of Education
USDL	United States Department of Labor
OTHER	Other United States Departments

STATE OF MISSOURI

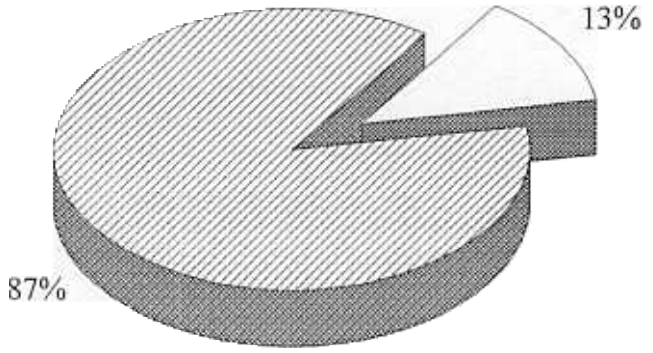
TYPE A vs TYPE B EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1998



TOTAL - $ 4,666,286,533

Type A - $ 4,316,994,647

Type B - $ 349,291,886



TOTAL NUMBER OF PROGRAMS - 310

Type A Programs - 40

Type B Programs - 270

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mel Carnahan, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. The state's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the state's compliance with those requirements.

In our opinion, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998. However, the results of our audit procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are

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described in the accompanying schedule of findings and questioned costs as items 98-1 to 98-12 and 98-14 to 98-28.

Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1 to 98-12 and 98-14 to 98-28.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

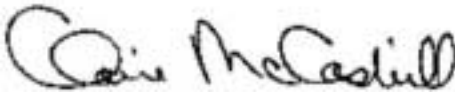
Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the state of Missouri as of and for the year ended June 30, 1998, and have issued our report thereon dated December 18, 1998. That report expressed a qualified opinion on the general purpose financial statements because we were not allowed access to tax returns and related source documents for income taxes and because insufficient audit evidence exists to support the state of Missouri's disclosures with respect to year 2000 issues. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. The state of Missouri has excluded federal award expenditures of public universities from the accompanying Schedule of

Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the state's management, federal awarding agencies and pass-through entities, and other applicable government officials. However this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

January 13, 1999

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1998

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
U. S. Office of National Drug Control Policy			
07.PMWP549	HIDTA-HP Enforcement	$ 352,694	831
07.PMWP550	HIDTA-Lab Enhancement	267,220	90,219
07.PMWP551	HIDTA-Task Forces	734,194	617,939
07.PMWP552	HIDTA-SAUSA	328,894	328,894
07.PMWP579	HIDTA-Demand Reduction	17,900	17,900
Total U. S. Office of National Drug Control Policy		1,700,902	1,055,783
U. S. Department of Agriculture			
10.0196-CCS-018	Natural Heritage Database Digitalization	9,876	0
10.0197-CCS-033	Challenge Cost Share - Bat Survey	6,822	0
10.025	Plant and Animal Disease, Pest Control, and Animal Care	118,127	0
10.064	Forestry Incentives Program	2,500	0
10.072	Wetlands Reserve Program	3,957,751	0
10.250	Agricultural and Rural Economic Research	82,277	0
10.550	Food Distribution	15,163,139	14,764,305
10.551	Food Stamps	351,756,741	37,931
10.553	School Breakfast Program	23,643,145	23,345,901
10.555	National School Lunch Program	89,969,604	89,360,820
10.556	Special Milk Program for Children	400,971	400,971
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	64,886,991	12,973,709
10.558	Child and Adult Care Food Program	28,185,356	28,185,356
10.559	Summer Food Service Program for Children	4,673,354	4,541,412
10.560	State Administrative Expenses for Child Nutrition	1,930,940	0
10.561	State Administrative Matching Grants for Food Stamp Program	38,976,899	165,813
10.564	Nutrition Education and Training Program	79,647	18,428
10.568	Emergency Food Assistance Program (Administrative Costs)	929,583	898,924
10.569	Emergency Food Assistance Program (Food Commodities)	4,102,498	4,102,498
10.570	Nutrition Program for the Elderly	3,860,484	3,860,484
10.572	WIC Farmers' Market Nutrition Program	30,517	30,517
10.664	Cooperative Forestry Assistance	912,756	0
10.665	Schools and Roads - Grants to States	2,415,270	2,415,270
10.7464247001	Soil & Water - National Resources Conservation Services Agreement	32,147	32,147
10.901	Resource Conservation and Development	10,882	10,882
10.902	Soil and Water Conservation	217,136	0
10.904	Watershed Protection and Flood Prevention	22,500	0
10.906	Watershed Surveys and Planning	58,000	0
Total U. S. Department of Agriculture		636,435,913	185,145,368
U. S. Department of Defense			
12.105	Protection of Essential Highways, Highway Bridge Approaches, and Public Works	585,200	0
12.106	Flood Control Projects	790,799	0
12.112	Payments to States in Lieu of Real Estate Taxes	815,308	815,308
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	625,927	0
12.401	National Guard Military Operations and Maintenance Projects	9,771,638	0
12.AAG	Drug Interdiction & Counter Drug Activities (Note 4)	278,394	236,635
12.DAW4196H005	Fire Suppression on Truman Reservoir	10,903	0
12.GR9611-96-01	Fort Leonard Wood	98,500	98,500
Total U. S. Department of Defense		12,976,669	1,150,443
U. S. Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	35,650,137	34,922,463
14.231	Emergency Shelter Grants Program	1,055,468	1,055,468
14.238	Shelter Plus Care	2,464,938	2,461,375
14.241	Housing Opportunities for Persons with AIDS	529,761	498,857
14.401	Fair Housing Assistance Program - State and Local	131,230	0
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	499,575	491,958
Total U. S. Department of Housing and Urban Development		40,331,109	39,430,121
U. S. Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	424,176	0

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

::

15.252	Abandoned Mine Land Reclamation Program	2,758,126	0
15.605	Sport Fish Restoration	10,618,843	0
15.611	Wildlife Restoration	7,373,019	7,400
15.615	Cooperative Endangered Species Conservation Fund	73,349	0
15.616	Clean Vessel Act	62,208	0
15.617	Wildlife Conservation and Appreciation	4,000	0
15.807	Earthquake Hazards Reduction Program	17,027	0
15.808	U.S. Geological Survey - Research and Data Acquisition	473,297	0
15.904	Historic Preservation Fund Grants-In-Aid	968,870	345,307

15.916	Outdoor Recreation - Acquisition, Development and Planning	412,454	280,300
15.976	Migratory Bird Banding and Data Analysis	6,477	0
15.FFC	North American Wetlands Conservation Act	148,000	0
15.FFD	Webless Migratory Game Bird Research Program	14,328	0
15.MO9703000	Joint Geohydrologic Investigations	30,000	30,000
Total U. S. Department of the Interior		23,384,174	663,007
U. S. Department of Justice			
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,432,276	1,400,875
16.541	Juvenile Justice and Delinquency Prevention - Special Emphasis	155,066	155,066
16.548	Title V - Delinquency Prevention Program	372,710	372,710
16.550	State Justice Statistics Program for Statistical Analysis Centers	42,325	397
16.554	National Criminal History Improvement Program	564,352	226,469
16.560	Justice Research, Development, and Evaluation Project Grants	344,610	173,711
16.572	State Criminal Alien Assistance Program	50,749	0
16.575	Crime Victim Assistance	3,045,807	2,996,306
16.576	Crime Victim Compensation	1,393,038	0
16.579	Byrne Formula Grant Program	8,960,793	7,472,273
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	224,811	0
16.585	Drug Court Discretionary Grant Program	12,229	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	1,896,012	0
16.588	Violence Against Women Formula Grants	2,414,080	2,312,563
16.592	Local Law Enforcement Block Grants Program	859,452	859,452
16.593	Residential Substance Abuse Treatment for State Prisoners	359,599	359,599
16.598	State Identification Systems Grant Program	69,372	0
16.710	Public Safety Partnership and Community Policing Grants	3,221,370	0
16.727	Combating Underage Drinking	30,490	30,490
16.95DD-BX-0108	Mid-States Organized Crime Information Center - Prison Gang Project	272,223	272,223
16.96RS-CX-0005	Mid-States Organized Crime Information Center	2,041,476	2,041,476
16.98RS-CX-0004	Mid-States Organized Crime Information Center - Information Technology	45,381	45,381
16.MO0261100	Equitable Sharing of Seized and Forfeited Property	2,666	0
16.MOMHP0006	Equitable Sharing of Seized and Forfeited Property	360,763	0
16.PRWK0043	Problem Solving Partnership	32,408	0
16.Unknown	Marijuana Eradication Program	505,207	0
Total U. S. Department of Justice		28,709,265	18,718,991
U. S. Department of Labor			
17.002	Labor Force Statistics	1,079,711	0
17.005	Compensation and Working Conditions Data	140,749	0
17.203	Labor Certification for Alien Workers	170,308	0
17.207	Employment Service	15,428,724	691,977
17.225	Unemployment Insurance (Note 3)	322,884,967	0
17.235	Senior Community Service Employment Program	2,193,392	2,160,491
17.245	Trade Adjustment Assistance - Workers	9,902,740	0
17.246	Employment and Training Assistance - Dislocated Workers	13,845,516	10,565,033
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	145,839	54,923
17.250	Job Training Partnership Act	28,293,831	25,713,937
17.253	Welfare-to-Work Grants to States and Localities	237,055	126,688
17.504	Consultation Agreements	448,948	0
17.600	Mine Health and Safety Grants	147,438	0

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

::

17.801	Disabled Veterans' Outreach Program	1,523,625	0
17.804	Local Veterans' Employment Representative Program	1,787,583	0
17.E9-4-5-46-28	State Occupational Information Coordinating Committee	131,618	0
Total U. S. Department of Labor		398,362,044	39,313,049
U. S. Department of Transportation			
20.005	Boating Safety Financial Assistance	535,865	0
20.106	Airport Improvement Program	11,529,668	11,388,797
20.205	Highway Planning and Construction	397,656,830	60,512,827
20.218	Motor Carrier Safety Assistance Program	2,300,206	1,367,932
20.308	Local Rail Freight Assistance	289,048	289,048
20.500	Federal Transit Capital Improvement Grants	4,268,099	4,268,099
20.505	Federal Transit Technical Studies Grants	908,121	821,637
20.507	Federal Transit Capital and Operating Assistance Formula Grants	1,708,257	1,708,257
20.509	Public Transportation for Nonurbanized Areas	2,597,541	2,303,219
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,089,894	1,033,061
20.600	State and Community Highway Safety	2,770,480	2,405,059
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	643,430	643,430
20.700	Pipeline Safety	224,436	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	114,350	30,300
20.C-98-01-MO-1	Airport Master Record Program	22,172	0
20.DTNH22-92	Crash Outcome Data Evaluation System	65,078	0
20.NRTP-96(001)	National Recreational Trails Fund	151,035	0
Total U. S. Department of Transportation		426,874,510	86,771,666

U. S. Department of the Treasury			
21.MO0261100	Equitable Sharing of Seized and Forfeited Property	2,665	0
21.MOMHP0006	Equitable Sharing of Seized and Forfeited Property	177,355	0
Total U. S. Department of the Treasury		180,020	0
U. S. Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	271,008	0
Total U. S. Equal Employment Opportunity Commission		271,008	0
U. S. General Services Administration			
39.003	Donation of Federal Surplus Personal Property (Note 4)	3,119,897	2,419,582
Total U. S. General Services Administration		3,119,897	2,419,582
U. S. National Foundation on the Arts and the Humanities			
45.007	Promotion of the Arts - State and Regional Program	58,449	46,410
45.015	Promotion of the Arts - Folk and Traditional Arts	30,000	30,000
45.023	Promotion of the Arts - Local Arts Agencies Program	30,652	30,652
45.025	Promotion of the Arts - Partnership Agreements	393,990	91,924
Total U. S. National Foundation on the Arts and the Humanities		513,091	198,986
U. S. Veterans Administration			
64.005	Grants to States for Construction of State Home Facilities	1,219,799	0
64.015	Veterans State Nursing Home Care	9,465,339	0
64.V101223P3832	Veterans Educational Assistance	389,733	0
Total U. S. Veterans Administration		11,074,871	0
U. S. Environmental Protection Agency			
66.000	Environmental Protection Agency - Cross Cutting Issues	0	0
66.032	State Indoor Radon Grants	91,788	21,321
66.1434HQ97AG01801	Quaterney Faulting in Benton Hills	15,767	0
66.435	Water Pollution Control - Lake Restoration Cooperative Agreements	23,671	23,222
66.438	Construction Management Assistance	259,288	0
66.454	Water Quality Management Planning	949,609	77,653
66.458	Capitalization Grants for State Revolving Funds	39,119,942	38,054,205
66.460	Nonpoint Source Implementation Grants	1,139,545	905,753
66.461	Wetlands Protection - State Development Grants	207,671	0
66.600	Environmental Protection Consolidated Grants - Program Support	447,378	294,500
66.605	Performance Partnership Grants	8,536,156	442,198
66.606	Surveys, Studies, Investigations and Special Purpose Grants	84,555	25,220

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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66.700	Consolidated Pesticide Enforcement Cooperative Agreements	465,891	0
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	137,418	42,370
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	235,745	129,995
66.802	Superfund State Site - Specific Cooperative Agreements	2,298,766	0
66.804	State Underground Storage Tanks Program	130,928	0
66.805	Leaking Underground Storage Tank Trust Fund Program	925,708	0
66.810	CEPP Technical Assistance Grants Program	53,234	0
66.900	Pollution Prevention Grants Program	68,053	0
66.CP997201010	Geographically Integrated Whole Management Basin	52,576	0
66.DOO7696010	Solid Waste Management Program - Resource Conservation Recovery Act 4008 Flood Activities	585,396	0
66.MM99751801	Technical Assistance Program - Environmental Management Institute	14,765	0
66.SPX	Stormwater/Sludge Project	407,997	88,802
66.X99723901	Air Pollution Control Program - Central States Air Resources Agency's Program	9,611	9,611
Total U. S. Environmental Protection Agency		56,261,458	40,114,850
U. S. Nuclear Regulatory Commission			
77.NRC-30-83-64	Measurement of Radiation Levels	2,500	0
Total U. S. Nuclear Regulatory Commission		2,500	0
U. S. Department of Energy			
81.041	State Energy Conservation	622,360	212,787
81.042	Weatherization Assistance for Low-Income Persons	2,576,655	2,343,257
81.052	Energy Conservation for Institutional Buildings	258,515	253,054
81.090	Energy Information Administration - State Heating Fuels	5,215	0
81.092	Weldon Springs Site Remedial Action Project	706,953	0
81.997	Petroleum Violation Escrow Funds - Oil Overcharge	2,814,354	0
81.TV94076V	Tennessee Valley Authority Contracts	3,339	0
Total U. S. Department of Energy		6,987,391	2,809,098
U. S. Federal Emergency Management Agency			
83.008	Community Based Anti-Arson Program	4,908	0
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	111,037	0
83.105	Community Assistance Program - State Support Services Element	152,666	0
83.504	Maintenance and Services	36,319	0
83.505	State Disaster Preparedness Grants	36,272	0
83.521	Earthquake Hazards Reduction Grants	62,617	41,087
83.534	Emergency Management - State and Local Assistance	2,194,146	1,596,224
83.535	Mitigation Assistance	51,693	0
83.537	Community Disaster Loans	261,865	0

83.541	Disaster Unemployment Assistance	5,009	0
83.544	Public Assistance Grants	8,903,075	8,887,708
83.546	National Arson Prevention Initiative	11,968	0
83.547	First Responder Anti-Terrorism Training Assistance	30,500	0
83.548	Hazard Mitigation Grant	923,119	798,624
Total U. S. Federal Emergency Management Agency		12,785,194	11,323,643
U. S. Department of Education			
84.002	Adult Education - State Grant Program	6,641,029	6,298,161
84.010	Title I Grants to Local Educational Agencies	116,957,879	115,946,481
84.011	Migrant Education - Basic State Grant Program	1,231,370	1,215,470
84.013	Title I Program for Neglected and Delinquent Children	856,529	856,165
84.025	Services for Children with Deaf - Blindness	122,506	122,506
84.027	Special Education - Grants to States	56,348,040	53,853,886
84.029	Special Education - Personnel Development and Parent Training	85,680	83,420
84.032	Federal Family Education Loans	80,267,525	0
84.034	Public Library Services	1,786,719	1,163,564
84.035	Interlibrary Cooperation and Resource Sharing	222,184	53,008
84.041	Impact Aid	4,711	4,711
84.048	Vocational Education - Basic Grants to States	19,201,826	17,851,471
84.069	State Student Incentive Grants	1,006,380	0

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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84.116	Fund for the Improvement of Postsecondary Education	22,161	0
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	51,645,391	1,536,989
84.154	Public Library Construction and Technology Enhancement	11,858	11,858
84.158	Secondary Education and Transitional Services for Youth with Disabilities	460,744	335,245
84.162	Immigrant Education	232,621	232,621
84.169	Independent Living - State Grants	325,353	204,718
84.173	Special Education - Preschool Grants	5,249,895	5,015,324
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	225,852	0
84.181	Special Education - Grants for Infants and Families with Disabilities	6,936,390	3,183,842
84.185	Byrd Honors Scholarships	492,824	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	12,189,754	11,294,753
84.187	Supported Employment Services for Individuals with Severe Disabilities	506,236	0
84.194	Bilingual Education Support Services	121,632	0
84.196	Education for Homeless Children and Youth	445,994	441,576
84.213	Even Start - State Educational Agencies	1,519,474	1,489,545
84.215	Fund for the Improvement of Education	811,396	233,540
84.216	Capital Expenses	2,158,312	2,158,312
84.218	State School Improvement Grants	50,937	0
84.224	State Grants for Assistive Technology	727,093	0
84.243	Tech-Prep Education	1,963,716	1,963,716
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	121,113	0
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	2,835,031	2,475,035
84.278	School To Work State Implementation Grants	4,320,963	4,064,149
84.281	Eisenhower Professional Development State Grants	7,462,116	6,311,959
84.298	Innovative Education Program Strategies	7,591,120	6,387,929
84.318	Technology Literacy Challenge Fund Grants	7,165,084	7,004,750
84.RN94-13-6026	National Cooperative System Program	9,527	0
84.unknown	American Printing House Quota Act to Promote the Education of the Blind	133,714	120,974
Total U. S. Department of Education		400,468,679	251,915,678
U. S. Department of Health and Human Services			
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	146,890	139,546
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	92,965	88,317
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	441,579	419,500
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,167,900	6,809,505
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,852,430	11,259,809
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	247,876	235,482
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	3,539	0
93.05-9705-MO	WEDGE	13,589	0
93.05-9805-MO	Operation Restore Trust	24,623	0
93.101	Grants for Residential Treatment Programs for Pregnant and Postpartum Women	887,376	822,171
93.110	Maternal and Child Health Federal Consolidated Programs	220,917	19,394
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	681,998	199,373
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	115,245	0
93.125	Mental Health Planning and Demonstration Projects	1,835,470	1,372,838

93.130	Primary Care Services - Resource Coordination and Development Primary Care Offices	176,216	95,933
93.136	Injury Prevention and Control Research and State and Community Based Programs	173,567	5,798
93.150	Projects for Assistance in Transition from Homelessness	307,189	288,000
93.161	Health Program for Toxic Substances and Disease Registry	413,678	143,379
93.165	Grants for State Loan Repayment	16,563	16,563
93.184	Disabilities Prevention	61,678	0

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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93.194	Community Prevention Coalitions Demonstration Grant	328,612	0
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	2,035,793	1,704,330
93.197	Lead Poisoning Prevention Projects-State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	602,886	362,754
93.223-96-4424	Mammography Inspections	117,153	0
93.223-98-4828	Tobacco Investigations	1,056	0
93.234	Traumatic Brain Injury	28,665	3,740
93.262	Occupational Safety and Health Research Grants	55,419	0
93.268	Childhood Immunization Grants (Note 4)	10,964,072	8,416,543
93.270-95-0031	State Demand and Needs Assessment Studies: Alcohol and Drugs	405,520	293,364
93.270-96-0009	Outcome Pilot Studies	60,352	39,815
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,288,750	76,871
93.283-95-0026	Uniform Alcohol and Drug Abuse Grant	80,481	80,481
93.393	Cancer Cause and Prevention Research	1,038,732	604,287
93.556	Family Preservation and Support Services	7,301,940	7,301,940
93.558	Temporary Assistance for Needy Families	172,181,336	1,585,874
93.563	Child Support Enforcement	34,415,067	3,853,474
93.566	Refugee and Entrant Assistance - State Administered Programs	4,022,599	0
93.568	Low-Income Home Energy Assistance	24,617,360	5,617,800
93.569	Community Services Block Grant	12,770,287	12,581,804
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	47,407	0
93.575	Child Care and Development Block Grant	23,391,411	3,018,800
93.584	Refugee and Entrant Assistance - Targeted Assistance	458,917	0
93.585	Empowerment Zones Program	1,850,745	1,850,745
93.586	State Court Improvement Program	235,875	0
93.590	Community-Based Family Resource and Support Grants	750,926	750,000
93.595	Welfare Reform Research, Evaluations and National Studies	19,018	0
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	45,149,917	141,272
93.597	Grants to States for Access and Visitation Programs	58,315	0
93.600	Head Start	150,000	0
93.630	Developmental Disabilities Basic Support and Advocacy Grant	1,381,980	782,084
93.643	Children's Justice Grants to States	402,038	0
93.645	Child Welfare Services - State Grants	6,049,431	0
93.656	Temporary Child Care and Crisis Nurseries	97,411	0
93.658	Foster Care - Title IV-E	61,821,857	0
93.659	Adoption Assistance	8,205,404	0
93.667	Social Services Block Grant	47,341,938	3,367,185
93.669	Child Abuse and Neglect State Grants	444,597	0
93.670	Child Abuse and Neglect Discretionary Activities	52,557	50,093
93.671	Family Violence Prevention and Services	679,369	0
93.673	Grants to States for Planning and Development of Dependent Care Programs	38,141	0
93.674	Independent Living	1,421,018	0
93.775	State Medicaid Fraud Control Units	1,077,844	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	7,212,207	0
93.778	Medical Assistance Program	2,010,816,252	0
93.779	Health Care Financing Research, Demonstrations and Evaluations	164,734	0
93.865	Center for Research for Mothers and Children	45,343	22,317
93.913	Grants to States for Operation of Offices of Rural Health	124,186	8,016
93.917	HIV Care Formula Grants	5,452,813	5,452,813
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,740,469	1,765,003
93.928	Special Projects of National Significance	213,117	114,253
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	121,252	43,202
93.940	HIV Prevention Activities - Health Department Based	3,234,830	2,106,693
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	743,079	188,760
93.945	Assistance Program for Chronic Disease Prevention and Control	123,901	25,326

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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93.958	Block Grant for Community Mental Health Services	5,264,424	4,440,641
93.959	Block Grant for Prevention and Treatment of Substance Abuse	17,792,590	14,807,224
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,437,777	392,300
93.987	Health Programs for Refugees	49,909	46,002
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and		

	Evaluation of Surveillance Systems		231,341	38,724
93.991	Preventive Health and Health Services Block Grant		4,746,080	1,583,230
93.994	Maternal and Child Health Services Block Grant		13,174,232	7,663,883
93.unknown	Rural CDP Center		232,578	18,059
Total U. S. Department of Health and Human Services			2,572,244,598	113,115,310
U. S. Corporation for National and Community Service				
94.003	State Commissions		94,056	0
94.004	Learn and Serve America - School and Community Based Programs		265,334	195,000
94.006	AmeriCorps		2,487,332	2,487,332
94.007	Planning and Program Development Grants		1,920	1,920
94.009	Training and Technical Assistance		90,604	0
Total U. S. Corporation for National and Community Service			2,939,246	2,684,252
U. S. Social Security Administration				
96.001	Social Security - Disability Insurance		30,646,765	0
96.007	Social Security - Research and Demonstration		150	0
Total U. S. Social Security Administration			30,646,915	0
U. S. State Justice Institute				
SJI-98-E-051	Juvenile Intermediate Sanctions Team Training		17,079	0
Total U. S. State Justice Institute			17,079	0
Total Expenditures of Federal Awards		$	4,666,286,533	796,829,827

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (CFDA), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered by the state of Missouri, except for those accounted for in the college and university fund type of the general purpose financial statements of the state of Missouri for the year ended June 30, 1998. Federal financial assistance provided to entities accounted for in the college and university fund type has been excluded from this audit.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as "... assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals."

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri, Type A programs are those which exceed $13.5 million in disbursements, expenditures, or distributions for the year ended June 30, 1998. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis; however, some are presented on a modified accrual basis.

The major programs for which expenditures of federal awards are presented on the modified accrual basis are as follows:

17.246 Employment and Training Assistance - Dislocated Workers
17.250 Job Training Partnership Act
20.205 Highway Planning and Construction
84.010 Title I Grants to Local Educational Agencies
84.027 Special Education - Grants to States
84.032 Federal Family Education Loans
84.048 Vocational Education - Basis Grants to States
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
84.173 Special Education - Preschool Grants
84.181 Special Education - Grants for Infants and Families with Disabilities
84.318 Technology Literacy Challenge Fund Grants
96.001 Social Security - Disability Insurance

2. Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program Rebates

During the year ended June 30, 1998, the state received cash rebates from an infant formula manufacturer, in the amount of $19,297,386 on sales of formula to participants in the WIC Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures from the State Unemployment Compensation Fund

Expenditures reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling $263,426,776. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those states totaling $16,805,637 have also been included in the Unemployment Insurance program expenditure totals. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri totaling $3,981,786 have been excluded from the Unemployment Insurance program expenditure totals.

4. Nonmonetary Assistance

The Department of Health distributes vaccines to local health agencies and other health care professionals under the Childhood Immunization Grants program (CFDA No. 93.268). During the year ended June 30, 1998, distributions were valued at the cost of the vaccines paid by the federal government and totaled $6,196,865.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program. During the year ended June 30, 1998, property distributions totaled $13,390,117, valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety, Office of Director distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program. During the year ended June 30, 1998, property distributions totaled $1,194,822, valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	___X___ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	___X___ no
Reportable conditions identified that are not considered to be material weaknesses?	___X___ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	___X___ yes	_____ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Food Stamp Cluster:
10.551	Food Stamps
10.561	State Administrative Matching Grants for Food Stamp Program
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
14.228	Community Development Block Grants/State's Program
	Fish and Wildlife Cluster:
15.605	Sport Fish Restoration
15.611	Wildlife Restoration
	Employment Service Cluster:
17.207	Employment Service
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program
17.225	Unemployment Insurance
	Job Training Partnership Act Cluster:
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
20.205	Highway Planning and Construction
81.042	Weatherization Assistance for Low-Income Persons
84.010	Title I Grants to Local Educational Agencies
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.032	Federal Family Education Loans
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.318	Technology Literacy Challenge Fund Grants
	Aging Cluster:
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Centers
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
	Medicaid Cluster:
93.775	State Mediciad Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
93.959	Block Grant for Prevention and Treatment of Substance Abuse
96.001	Social Security - Disability Insurance

Dollar threshold used to distinguish between Type A and Type B programs: $ 13,500,000

Auditee qualified as a low-risk auditee? _____ yes ____ no

Section II - Financial Statement Findings

There were no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF CONSERVATION

98-1.	Suspension and Debarment Compliance

Federal Agency: Department of Interior
Federal Program: 15.605 Sport Fish Restoration
State Agency: Department of Conservation (DOC)

The DOC has entered into contractual agreements with several contractors to build a new hatchery as well as various boating access projects. The DOC does not require contractors to certify that they have not been suspended or debarred.

43 CFR 12.75 requires that DOC must not make any award to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance. This requirement applies to all contractors receiving individual awards of $100,000 or more and all subrecipients. Controls must be established to obtain suspension and debarment certifications from parties to ensure compliance with the federal guidelines.

WE RECOMMEND the DOC obtain certifications from parties awarded contracts of $100,000 or more that the organization and its principals are not suspended or debarred.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

DEPARTMENT OF ECONOMIC DEVELOPMENT -
DIVISION OF JOB DEVELOPMENT AND TRAINING

98-2.	Expenditures

Federal Agency: Department of Labor
Federal Program: 17.246 Employment and Training Assistance - Dislocated Workers
17.250 Job Training Partnership Act
State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

The State of Missouri is divided into fifteen Service Delivery Areas (SDAs). Each SDA serves as a primary recipient of federal funds from the DJDT. The funds may be spent by the SDAs to operate federal programs as outlined in the DJDT's Financial Manual, which specifies the procedures the SDAs must follow for procuring goods and services.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our review and testing of expenditure records at four of the fifteen SDAs noted that SDA 4 did not obtain invoices to support four advanced payments to motels totaling $5,711. As a result, the SDA has no assurance the amounts paid did not exceed the amounts charged. The SDA frequently pays motel expenses in advance to attend conferences in other states. The SDA determined the amounts to pay by contacting the applicable motels and inquiring about their rates. We reviewed supporting documentation for some prepaid motel expenses that were supported by motel invoices and found that refunds totaling $229 were due to the SDA, but had not been received. In one instance, the SDA paid for two rooms, but only used one. In the other instance, the rates actually charged were lower than the rates quoted and paid. SDA personnel contacted the motels and obtained the refunds after we brought these matters to their attention.

Procedures should be established to ensure invoices are obtained and reviewed for all motel expenditures to provide adequate documentation for the expenditures, and to provide assurance the amounts paid did not exceed the amounts charged.

WE RECOMMEND the DJDT require the SDA to obtain motel invoices to support the $5,711 in advance payments made to motels and require the SDA to establish procedures to ensure adequate supporting documentation, such as motel invoices, is obtained and reviewed for all future expenditures.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-3. Fixed Asset Records and Procedures

Federal Agency:	Department of Labor
Federal Program:	17.246 Employment and Training Assistance - Dislocated Workers 17.250 Job Training Partnership Act
State Agency:	Department of Economic Development - Division of Job Development and Training (DJDT)

The DJDT communicates fixed asset regulations to the SDAs by documenting the regulations in the DJDT Financial Manual. Each SDA receives a copy of the manual.

Our review of SDA and DJDT fixed asset records and procedures revealed the following concerns:

A. Some SDAs did not report physical inventory results to the DJDT on a timely basis. As of October 1998, seven of the fifteen SDAs had not reported their physical

inventory results to the DJDT. The DJDT Financial Manual indicates a physical inventory must be performed, reconciled, and documented at least once each year between April and June. In addition, the Financial Manual requires each SDA to send a letter to the DJDT upon completion of the physical inventory. DJDT personnel indicated the letters were supposed to be submitted to the DJDT by July 1, 1998.

To ensure the DJDT's fixed asset records are accurate and complete, the DJDT should enforce deadlines for receipt of physical inventory results from SDAs.

B. The DJDT did not follow up on SDAs' physical inventory results on a timely basis. The results of two SDAs' physical inventories as of June 30, 1997, indicated some items could not be located. SDA 13 reported 28 items missing, with acquisition costs totaling $52,975. However, when the physical inventory as of June 30, 1998, was completed, the SDA reported 13 of the missing items, costing a total of $38,179, from the year earlier inventory had been located; but 15 items, totaling $14,796, had not been located. Also, ten additional items, totaling $11,462, were missing according to the SDA's June 30, 1998 physical inventory report. The missing items included computer equipment, a fax machine, a wheel balancer, a tool cabinet, a dictation unit, a camcorder, a VCR, a folding machine, a typewriter, and large appliances. The large appliances were among seven items left at a training site that was vacated several years ago. SDA 11 reported three items missing, with acquisition costs totaling $4,303. The missing items included a typewriter, a computer system, and a keyboard. The DJDT Financial Manual indicates SDAs are required to replace missing items or pay the DJDT the fair market value of the items. Although the physical inventory results for the year ended June 30, 1997, were reported to the DJDT by June 30, 1997, as of October 1998, the DJDT has not required the SDAs to replace the items or pay the DJDT the fair market value of the items.

   To encourage SDAs to ensure all fixed assets are accounted for properly, the DJDT should establish procedures to enforce the requirement that SDAs must replace missing items or pay DJDT the fair market value of the items.

WE RECOMMEND the DJDT:

A. Enforce deadlines for receipt of physical inventory results from SDAs.

B. Establish procedures to enforce the requirement that SDAs replace missing items or pay DJDT the fair market value of the items.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address these findings.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

98-4.	**Subrecipient Monitoring**

Federal Agency:	Department of Education Department of Health and Human Services
Federal Program:	84.010 Title I Grants to Local Educational Agencies 84.027 Special Education - Grants to States 84.048 Vocational Education - Basic Grants to States 84.173 Special Education - Preschool Grants 93.575 Child Care and Development Block Grant
State Agency:	Department of Elementary and Secondary Education (DESE)

A. The DESE either makes advance payments or disburses monies based on a payment schedule to school districts and post-secondary schools until the end of the fiscal year when the last payment made is based on a final expenditure report submitted by these subrecipients. Department of Education Regulation 34 CFR 80.37(a)(4) and Department of Health and Human Services Regulation 45 CFR 92.37(a)(4) require the state to minimize the time elapsing between the receipt of funds and disbursement and to establish similar requirements for subreceipients. Although the DESE has established such procedures for the department, it has not established procedures for subrecipients to minimize the time elapsing between the transfer of funds from the state and subsequent disbursement by the subrecipients.

B. The DESE does not have established procedures to inform subrecipients of grant award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and the name of the federal agency. Office of Management and Budget (OMB) Circular A-133 requires the DESE to inform subrecipients of CFDA title and number, award name and number, and name of federal agency.

WE RECOMMEND the DESE:

A. Establish procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients.

B. Provide subrecipients grant award information such as CFDA title and number, award name and number, and name of federal agency.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address these findings.

98-5.	Period of Availability of Funds

Federal Agency: Department of Education
Federal Program: 84.027 Special Education - Grants to States
State Agency: Department of Elementary and Secondary Education (DESE)
Questioned Costs: $261,149

Special Education regulations provide for an obligation period for using grant funding of fifteen months from July 1 through September 30 of the following year plus a one-year carryover provision. For example, the 1995 appropriation initially became available on July 1, 1995 which allows grant funds to be obligated from July 1, 1995 through September 30, 1997. Department of Education Regulation 34 CFR 80.23(a) indicates where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period.

In addition, Department of Education Regulation 34 CFR 80.23(b) requires that obligations incurred under a federal award must be liquidated not later than 90 days after the end of the funding period. For the Special Education grant, obligations should have been liquidated by December 31, 1997.

Special Education funds totaling $76,719 were not obligated until October 14, 1997, which was after the date when funds could be obligated. In addition, $129,037 in Special Education funds originally obligated in June 1997 to various school districts were unobligated in October 1997 and reobligated to other school districts, after the date when funds could be obligated.

Payments totaling $55,393 were made from Special Education Grant funds during January 1998 through April 1998, which was after the date when obligations could be liquidated.

WE RECOMMEND the DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

DEPARTMENT OF HEALTH

98-6. Schedule of Expenditures of Federal Awards and Subrecipient Awards

Federal Agency:	Department of Agriculture Department of Health and Human Services
Federal Program:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children 10.558 Child and Adult Care Food Program 93.575 Child Care and Development Block Grant 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
State Agency:	Department of Health (DOH)

A. OMB Circular A-133 requires the DOH to prepare a Schedule of Expenditures of Federal Awards (SEFA). This Circular states the SEFA shall, at a minimum, list individual federal programs by federal agency and include the CFDA number for each individual federal program. To the extent practical, the schedule is also to include amounts provided to subrecipients for each federal program. We noted the following problems with the SEFA prepared by DOH:

- The programs listed on the SEFA were not listed by federal agency. In general, Department of Health and Human Services programs were listed first followed by Department of Agriculture programs; however, programs without a CFDA number were listed last and other programs were listed randomly on the SEFA.

- While in most cases the DOH did identify the CFDA number, the CFDA title used by the DOH was not correct for most of the programs included on the SEFA. Programs were identified by the generic title used by the DOH instead of the proper title used by the CFDA.

- Amounts provided to subrecipients were included on a separate schedule. This schedule did not include the CFDA number and did not list programs by federal agency. In addition, the schedule originally prepared by DOH was not accurate because it indicated a higher amount provided to subrecipients than the total expenditures for several programs.

As a result, the SEFA prepared by the DOH was not accurate and did not comply with OMB Circular A-133. We made the appropriate adjustments to the original SEFA to conform to federal requirements. The DOH needs to implement procedures and maintain proper records to ensure the SEFA is prepared accurately.

B. OMB Circular A-133 requires DOH to inform subrecipients of the CFDA title and number of federal awards. The DOH makes several awards to subrecipients that include both state and federal monies and other awards that include monies from various federal programs. While the DOH does inform subrecipients when federal and/or state monies are used in an award, DOH does not inform subrecipients of the amount of federal monies used from each particular federal program. As a result, subrecipients cannot determine how much federal money is provided to them for each federal program included in the award and this may impede the subrecipient's audit process. In addition, the CFDA title of the federal award was rarely provided to subrecipients. At a minimum, DOH should implement procedures to provide the percentage of each award that is attributable to each individual federal program and include the CFDA title in the contract to ensure compliance with OMB Circular A-133.

WE RECOMMEND the DOH implement procedures and maintain records to ensure:

A. The SEFA is prepared in accordance with OMB Circular A-133.

B. Subrecipients are provided with the information required by OMB Circular A-133.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address these findings.

DEPARTMENT OF HIGHER EDUCATION

98-7. Reconciliation of Reports

Federal Agency: Department of Education
Federal Program: 84.032 Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

The DHE contracts with a loan program servicer to maintain records, process loans and claims, and collect on defaulted loans guaranteed through the Federal Family Education Loans (FFEL) program. The loan program servicer is responsible for providing data used to compile monthly (1189) and quarterly (1130) reports submitted by the DHE to the United States Department of Education (USDE). Although the DHE agrees the data presented on

the quarterly and monthly reports to supporting documentation, a reconciliation of the monthly and quarterly reports is not performed.

The 1130 report sections that could be reconciled with the 1189 report are the claims section, the collections section, and the federal receivable data section. Although methods to reconcile the two reports have been provided to both DHE and the loan program servicer in previous audits and by the USDE, the reconciliations have not been routinely performed. The loan servicer prepared a reconciliation of the federal receivable data section for the quarter ending December 31, 1997.

To adequately monitor the department's financial position and to ensure errors are detected and corrected on a timely basis, the DHE should reconcile the monthly reports to the quarterly reports on a timely basis. Without a reconciliation of the monthly and quarterly reports, errors may go undetected.

WE RECOMMEND the DHE establish and implement procedures to reconcile the 1189 and 1130 reports and maintain documentation of the reconciliations.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

DEPARTMENT OF TRANSPORTATION

98-8.	**Subrecipient Monitoring**

Federal Agency: Department of Transportation
Federal Program: 20.205 Highway Planning and Construction
State Agency: Department of Transportation (MoDOT)

The MoDOT passes federal funds to subrecipient local governments through various programs, including the Highway Bridge Replacement and Rehabilitation Program. OMB Circular A-133 requires the grant recipients to provide subrecipients the applicable federal compliance requirements and to monitor the subrecipients' activities to provide reasonable assurance that the subrecipients administer the federal awards in compliance with the federal requirements. The MoDOT provides each recipient of federal funds a Local Public Agency Manual (LPA) which identifies the applicable federal compliance requirements.

A. Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the United States Department of Treasury states that funds should be requested such that they are received not more than two days prior to disbursement of a payment. The LPA does not address this cash management

requirement. Some subrecipients incur the related expenditures prior to claiming reimbursement from MoDOT; however, it appears many subrecipients request and receive grant funds from MoDOT prior to disbursing the monies. Audits of some subrecipients have reported these entities holding funds longer than two days before payment is made to the applicable parties, with some monies being held for a significant amount of time.

The MoDOT must monitor cash drawdowns by its subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the state. In addition, the LPA should be revised to address these requirements.

B. Sections 8.289 and 8.291, RSMo 1994, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The LPA provides that each subrecipient shall submit to MoDOT a statement of procedures which it uses to evaluate and select consultants and that three or more firms be considered before the final selection is made. However, the MoDOT does not ensure that subrecipients submit the required statement of procedures or ensure subrecipients evaluate at least three firms as required. Audits of some subrecipients have reported that the applicable subrecipient had no documentation to indicate at least three engineering firms were considered prior to a contract for engineering services being entered into.

The MoDOT should establish procedures to ensure subrecipients submit the required statement of procedures and evaluate at least three firms.

C. The MoDOT does not have adequate procedures to ensure findings reported in subrecipient audit reports are properly addressed. Subrecipients have not always been contacted or management decisions issued related to audit findings. OMB Circular A-133 requires subrecipients expending $300,000 or more in federal awards during the subrecipient's fiscal year to have a single audit performed. The pass-through entity is also required to issue management decisions on audit findings in those reports within six months of receipt of the report and ensure that the subrecipient takes appropriate and timely corrective action.

WE RECOMMEND the MoDOT:

A. Inform subrecipients about the cash management requirements and establish procedures to ensure the requirements are met.

B. Establish procedures to ensure subrecipients submit a statement of procedures used to evaluate and select engineering consultants as required and ensure subrecipients consider at least three firms before procuring such services.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

C. Establish procedures to ensure that management decisions are made on subrecipient audit findings within six months after receipt of the audit reports and that the subrecipient takes appropriate and timely corrective action.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address these findings.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

98-9. Cost Allocation System

Federal Agency:	Department of Labor
Federal Program:	17.207 Employment Service
	17.225 Unemployment Insurance
	17.801 Disabled Veterans' Outreach Program
	17.804 Local Veterans' Employment Representative Program
State Agency:	Department of Labor and Industrial Relations (DLIR)

The DLIR allocates costs to its various grant programs each month through the use of a computerized Cost Allocation System (CAS). The system performs this allocation based on percentages of time devoted to various project codes during the month which is developed from the DLIR's time recording system. The allocation process is performed in several phases to ensure that allocated costs can be allocated to a specific cost center or to various cost centers in accordance with one or more allocation tables used by the DLIR.

The DLIR's controls over the CAS input and output are inadequate. Each month, prior to the allocation process, the DLIR prepares a detailed listing of expenditures incurred by the various cost centers. This pre-allocation report indicates whether each expenditure is charged directly to a program or set aside to be allocated among various programs. Subsequent to the allocation process, the DLIR prepares a summary report of total costs allocated for the same month. This post-allocation report also indicates whether each expenditure is a direct cost or a cost that was allocated by the CAS.

The DLIR does not reconcile indirect costs from the pre-allocation report to the post-allocation report; however, with the DLIR's assistance, we performed this reconciliation for the month of March 1998. A monthly reconciliation as described above is needed to ensure that total expenditures not coded directly to projects have been properly allocated. In addition, the DLIR does not perform periodic tests of the allocation performed by the CAS to ensure expenditures are being properly allocated at the project code level.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

WE RECOMMEND the DLIR establish procedures to reconcile monthly reports of costs to be allocated by the CAS to actual allocated expenditures. In addition, the DLIR should periodically test the CAS, to ensure it is allocating costs properly at the project code level.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

DEPARTMENT OF MENTAL HEALTH

98-10. Suspension and Debarment Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.959 Substance Abuse Prevention and Treatment Block Grant
State Agency: Department of Mental Health (DMH)

The State is required to obtain a certification from all subrecipients and any contractors receiving individual awards of $100,000 or more. The certification indicates that the organization and its principals are not suspended or debarred from doing business with the federal government. The DMH has not obtained such certifications from subrecipients and contractors.

WE RECOMMEND the DMH obtain appropriate suspension and debarment certifications from subrecipients and applicable contractors.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

DEPARTMENT OF NATURAL RESOURCES

98-11. Federal Grant Reporting Procedures

Federal Agency: Environmental Protection Agency
Federal Program: 66.000 Environmental Protection Agency-Cross Cutting Issues
State Agency: Department of Natural Resources (DNR)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The DNR administered about 40 federal grant programs during the year ended June 30, 1998. The DNR periodically files financial status reports (FSRs) with the federal grantor to report the federal grant activity. The DNR obtains the information needed to complete the FSRs from their Integrated Administrative System (IAS). OMB Circular A-133 requires the DNR to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year showing the financial activity for each federal program. Our review of the federal grant reporting procedures noted the following:

A. Differences exist between the amounts reported on the FSRs, the amounts reported on the IAS for each federal grant, and the amounts presented on the SEFA. Documentation of the reconciliations of these amounts is not retained.

To ensure expenditures are properly reported to the appropriate federal agencies and accurately stated on the SEFA, documentation of the reconciliation between the amounts shown on the FSRs to the amounts recorded on the IAS and the SEFA should be retained.

B. The SEFA prepared for the fiscal year ended June 30, 1998, was incorrect and incomplete and required several adjustments. Some federal programs were not included on the schedule, some expenditures were actually expenditures or accounting adjustments from previous years, and some expenditures were incorrectly reported based on supporting documentation. Reported federal expenditures for some programs on the original schedule as compared to the actual federal expenditures shown on the adjusted schedule of expenditures for the year ended June 30, 1998, are as follows:

CFDA #	Federal Program	Expenditures Originally Reported	Corrected Expenditures Reported
15.252	Abandoned Mine Land Reclamation Program	$ 1,643,641	2,758,126
66.438	Construction Management Assistance	(1,257,089)	259,288
66.458	Capitalization Grants for State Revolving Funds	107,787,774	39,119,942
66.605	Performance Partnership Grants	11,314,925	8,536,156
81.042	Weatherization Assistance for Low-Income Persons	4,052,347	2,576,655

In addition to the above programs, $1.1 million in adjustments were required to correct the SEFA for various other programs. The total federal expenditures originally reported on the SEFA was $136,736,538, while the adjusted and corrected total expenditures presented on the schedule was $67,531,968, or a difference of $69,204,570 in adjustments.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The DNR should ensure the SEFA is complete and accurate. Formal written procedures should be developed on how the schedule is to be prepared and checked for completeness and accuracy. In addition, the DNR should ensure the individual preparing the schedule is properly trained and supervised.

WE RECOMMEND the DNR:

A. Retain written documentation of the reconciliations between the amounts reported on the Integrated Administrative System, the FSRs, and the SEFA.

B. Prepare a complete and accurate SEFA. Formal written procedures for preparation of the schedule should be prepared and the individual preparing the schedule should be properly trained and supervised.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our response and any planned actions to address the finding.

98-12. Monitoring of Weatherization Subgrantees

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance for Low Income Persons
State Agency: Department of Natural Resources (DNR)

The DNR provides funding for weatherization activities to 18 subgrantees located throughout the state. The DNR monitors the expenditures by subgrantee to ensure various financial and compliance guidelines are met. In addition, the subgrantees are required to have an annual audit performed in accordance with OMB Circular A-133, which is submitted to and reviewed by the DNR. The DNR internal auditor also performs a yearly monitoring visit on each subgrantee. A review of 11 subgrantee independent audit reports noted one audit that disclosed several weaknesses in the weatherization program. Although the audit report for the period ended September 30, 1997, and dated November 21, 1997, disclosed no questioned costs, the audit report revealed the following weaknesses:

- Weatherization expenditure reports being prepared by the program director were based upon budget estimates and work orders. There was no way to reconcile these reports to the subgrantee's general ledger.
- The subgrantee had over expended in certain categories of funding with respect to its weatherization program.
- One client file contained no proof of ownership.
- Four client files indicated applications were not current and income was not reverified.

- One client file contained a calculation of income that was performed incorrectly, which would have made the client ineligible if calculated correctly.
- Four client files contained no proof of address relating to copies of loan payments.
- One instance was noted where support for an expense could not be located.
- One expenditure had been incorrectly charged to the weatherization program.
- Various instances were noted where proper bidding was not performed.
- One expenditure was not recorded to the proper account.
- Supporting documentation could not be located for two disbursements.

There was no documentation available at the DNR to indicate the audit findings were followed up on. A discussion with the DNR internal auditor in December 1998 noted that he had not contacted the subrecipient to determine if corrective action had been taken. He indicated that this would be done as part of a monitoring visit in January 1999.

OMB Circular A-133, Section 400(d) requires the DNR to issue a management decision on audit findings within six months after receipt of the audit report and to ensure the subrecipient takes appropriate and timely corrective action.

The weaknesses noted in the audit report and the lack of follow up by the DNR could result in the weatherization program being charged for expenditures not related to that particular activity and, consequently, could represent unallowable costs to the program.

WE RECOMMEND the DNR establish procedures to ensure all subrecipient audit reports are followed up on to ensure proper corrective action has been taken as required by OMB Circular A-133.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our response and any planned actions to address the finding.

98-13. State Revolving Fund Bank Reconciliations

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for State Revolving Funds
State Agency: Department of Natural Resources (DNR)

Reconciliations of the State Revolving Fund reserve account bank balances to the accounting records are not being performed properly. At June 30, 1998, the accounting records indicated the reserve account balances were $2.1 million less than what was actually held in the various bank accounts. We also noted there were no independent reviews of the

reconciliations between the accounting records and the various bank statements by someone other than the person that normally performs the reconciliations.

To ensure the reserve account balances of the State Revolving Fund are accurate, a proper reconciliation between the accounting records and the various bank statements must be performed. Any difference between the accounting records and the amounts per the bank statements should be resolved and corrections appropriately made and documented.

WE RECOMMEND the DNR ensure accurate reconciliations of the State Revolving Fund reserve account balances per the accounting records to the amounts recorded on the various bank statements be performed and any difference be investigated and resolved. An independent review of the reconciliations should also be made periodically.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

DEPARTMENT OF SOCIAL SERVICES -
DIVISION OF CHILD SUPPORT ENFORCEMENT

98-14.	**Subrecipient Audits**

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
State Agency: Department of Social Services - Division of Child Support Enforcement (DCSE)

The DCSE reimburses counties for a share of expenses related to the Child Support Enforcement program. The DCSE requires these subrecipients to sign a cooperative agreement to receive reimbursements. OMB Circular A-133 requires the state to ensure that subrecipients expending $300,000 or more in federal awards in a fiscal year have met the audit requirements of OMB Circular A-133. The state must also issue a management decision on all audit findings within six months after receipt of the subrecipient's audit report and ensure the subrecipient takes appropriate and timely corrective action if instances of noncompliance with federal laws and regulations are noted.

The DCSE'S county cooperative agreements incorrectly continue to require audits in compliance with OMB Circular A-128 instead of OMB Circular A-133.

WE RECOMMEND the DCSE provide all subrecipients notice that audits must be in compliance with OMB Circular A-133, and similarly correct all future cooperative agreements.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

AUDITEE'S RESPONSE

DCSE agrees with the auditor's finding. DCSE's Corrective Action Plan includes DCSE's planned actions to address this finding.

DEPARTMENT OF SOCIAL SERVICES -
DIVISION OF FAMILY SERVICES

98-15. Benefit Eligibility

Federal Agency:	Department of Health and Human Services	
		Questioned Costs
Federal Program:	93.658 Foster Care - Title IV-E	$16,174
	93.778 Medical Assistance Program	5,422
State Agency:	Department of Social Services - Division of Family Services (DFS)	

A. Under 42 USC Sections 606 and 672(a), foster children are eligible to receive Title IV-E benefits if under age eighteen, or, until age nineteen if a full-time high school student and are reasonably expected to graduate by their nineteenth birthday. Once a foster child reaches either one of these two limitations, the state may continue benefits with state funds.

To comply with the above age limitation rules, the DFS uses a monthly computer report to identify foster children reaching age nineteen who would no longer be eligible for the federal benefits. This monthly report is sent to the local DFS office for any necessary case actions such as changing the funding source or closing the case. The system does not review graduation date status or identify foster children reaching the age of eighteen who need graduation status review.

We obtained a computer file of all Foster Care clients as of April 1998 and used the information to determine the adequacy and test the effectiveness of the DFS procedures. At April 30, 1998, there were 111 open cases in which the foster child was age eighteen or older and was receiving benefits from Title IV-E. We selected 28 of these 111 cases for further review. Of the 28 cases, 24 were for foster children nineteen or older with 17 of these cases being active and 4 were for children between the age of eighteen and nineteen with active cases. We noted eighteen cases where the child continued to receive benefits from Title IV-E after age nineteen or after age eighteen when the case file documentation clearly indicated the child was not expected to graduate from high school by age nineteen. The review also noted an additional five cases where the child received benefits from Title IV-E after age eighteen; however, based on the child's birth date it appeared probable that the child

could not graduate from high school by age nineteen. The following table provides greater detail on these twenty-three cases:

Case Number	Month No Longer IV-E Eligible	Reason Child No Longer Eligible	As of 9/98 # of Ineligible Months Paid From IV-E Funds	Total Amount Inappropriately Paid From IV-E Funds	Case Status As Of 09/30/98	Child Was Being Paid From IV-E Funds At 09/30/98	Case File Had Documentation of High School Graduation Status	Estimate of Amount Inappropriately Paid from IV-E Funds If Child Could Not Graduate By Age 19	Local Office
1	1/98	B	9	$ 2,628	active	yes	no	$ 3,504	St. Louis City
2	7/98	C	1	198	closed 7/98	no	yes	0	St. Louis
3	10/97	A	7	2,044	active	no H	yes	0	St. Louis
4	11/96	C	12	3,334	closed 10/97	no	yes	0	St. Louis
5	3/98	B	3	876	closed 6/98	no	no	3,504	Mississippi
6	5/97	A	17	4,672	active	yes	yes	0	Adair
7	6/98	B	1	292	closed 6/98	no	yes	0	Adair
8	1/98	B	3	622	closed 3/98	no	no	3,504	Platte
9	1/97	A	17	5,108	active	no D	yes	0	Boone
10	10/97	B	3	744	closed 12/97	no	no	3,504	Greene
11	4/98	B	6	1,752	active	yes	no	3,504	St. Louis City
12	7/97	B	10	310	closed 5/98	no	F	372	Wayne
13	4/98	B	5	1,460	closed 9/98	yes	G	3,504	Jackson
14	4/98	B	3	876	active	no E	G	1,632	Jackson
15	4/98	B	3	279	active	no E	G	1,632	Jackson
16	5/98	B	2	584	closed 7/98	no	F	3,504	Jackson
17	10/97	B	1	292	closed 3/98	no	F	3,504	Pulaski
18	4/98	B	2	584	active	no H	F	3,504	Jasper
19	N/A	N/A	0	0	closed 7/98	no	F	3,504	Caldwell
20	N/A	N/A	0	0	closed 3/98	no	no	62,821	Jackson
21	N/A	N/A	0	0	closed 8/97	no	F	3,504	Boone
22	N/A	N/A	0	0	closed 12/97	no	F	3,504	Bates
23	N/A	N/A	0	0	closed 6/98	no	F	3,504	Jefferson
				$ 26,655				$ 112,009	

A Documentation in the case file indicates the child would not graduate from high school by age 19.
B Child over age 19.
C Child was over age 18 and had graduated from high school.
D Effective June 1998 the child was no longer paid from IV-E funds.
E Effective July 1998 the child was no longer paid from IV-E funds.
F Case file was not reviewed.
G Could not determine because the local office could not find the case file.
H Case is active, but no benefits are being paid.

Based on the results documented in the above table, it appears eighteen of these foster children received at least $26,655 in inappropriate Title IV-E benefits, with the resulting federal share being $16,174, which we have questioned. For six of the cases noted above, we found no documentation in the case file supporting that the child was reasonably expected to graduate from high school before age nineteen. We were unable to evaluate the high school graduation status for three cases because the Jackson County local office could not locate the case files and we did not look at the case files for eight others. For the eighteen cases showing inappropriate Title IV-E payments, we included only amounts paid after the child turned nineteen or after the child turned eighteen and documentation in the case file supported that the child was not expected to graduate before the age of nineteen. However, for eleven of these children and the five other cases noted above, it did not appear that the child could have been reasonably expected to graduate from high school by age nineteen, based on the month of birth. If these children were ineligible for Title IV-E benefits starting at age eighteen, the additional amount of inappropriate benefit payments would total $112,009 (federal share of $67,967).

The DFS uses allocation rates computed on a quarterly basis to compute certain categories of administrative costs for reimbursement under the Title IV-E program. The state included counts of these ineligible children in computing the allocation rates. As a result, Title IV-E administrative costs may have been overclaimed for the year ended June 30, 1998. Since we could not determine the exact period of ineligibility for each child, we did not compute the amount of administrative costs overclaimed.

Procedures should be improved to ensure the high school graduation status of all foster children turning age eighteen is obtained, documented in the case file and used to correct the benefit funding source if the expected graduation will be after age nineteen. The DFS should also consider computer system changes that would automatically switch the funding source to state only funding when foster children reach age nineteen.

B. The foster children discussed above also received benefits under the Medicaid program. Once Title IV-E eligibility ends the DSS must reevaluate the child's Medicaid eligibility status. The child would no longer be eligible for benefits paid from Title IV-E related Medicaid eligibility (ME) codes which are partially federally funded, but could be eligible for benefits from a different ME code which may or may not be partially federally funded. Fifteen of the twenty-three children continued to receive Medicaid benefits from Title IV-E related ME codes after becoming ineligible for Title IV-E benefits. We could not determine which ME code a child's Medicaid benefits should have been paid from after he or she became ineligible for Title IV-E benefits. The children received at least $8,935 in Medicaid benefits paid from an inappropriate ME code, with the resulting federal share being $5,422 which we have questioned. If these children were ineligible for Title IV-E benefits at age eighteen, the additional amount of benefits paid from inappropriate ME codes would total $8,787 (federal share of $5,332).

WE RECOMMEND the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should improve procedures to ensure the high school graduation status for all foster children turning eighteen is obtained, documented in the case file and used to adjust the benefit funding source (including Medicaid benefits) if the child's expected graduation will be after age nineteen. The DFS should also consider computer system changes that would automatically switch to state funding when foster children reach the age of nineteen.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-16.	**Eligibility - Death Match**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Agency:	Department of Agriculture and Department of Health and Human Services	
		Questioned Costs
Federal Program:	10.551 Food Stamps	$8,068
	93.558 Temporary Assistance for Needy Families	0
State Agency:	Department of Social Services - Division of Family Services (DFS)	

Food Stamp and TANF client eligibility status is redetermined periodically based on the benefit program and the income stability of the client. Case benefit amounts will change based on the number of clients on a case and each member's income. The death of a client on a case would cause the case benefit amount to increase or decrease based on the number of clients remaining on the case and their income. Effective May 1998, most TANF and all Food Stamp benefits are distributed to clients by electronic benefit transfer (EBT) cards.

Between redetermination periods and to ensure the accuracy of client eligibility information, the DFS performs a monthly match between current benefit recipients and death records provided by the Department of Health - Bureau of Vital Statistics (BVS). Death matches involving a client who is the only member of an active case result in the automatic cutoff of benefits by the DFS computer system. However, if a match occurs when the client is an active member of a case along with other recipients, a report is sent to the local DFS office so the caseworker can reevaluate the benefit status and make any necessary changes.

To test the effectiveness of these procedures, we matched computer records of TANF and Food Stamp clients as of April 1998 with computer records of deaths reported in Missouri since 1980 obtained from the BVS. The match identified 543 TANF or Food Stamp clients by social security number with BVS records of a deceased individual. However, we determined that many of the 543 were not valid matches due to an incorrect social security number in the BVS records or for other reasons. Most cases (approximately 150) for clients that died in late March or during April were not reviewed; however, by scanning the printout and evaluating the reliability of the match, we identified at least eighteen Food Stamp clients with active cases in April 1998 who had died that month or in previous months. Four of these clients were the only member of a case and the case was appropriately automatically closed in May or June 1998 by the department's computer match. Benefits continued to be posted to these client's EBT cards following the client's death before the match identified it; however, none of the benefits were used. The following table provides greater detail on the other fourteen cases:

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Case Number	Date of Death	Date Death Posted By the BVS	Next Redetermination Date	Number of Household Members	As of 9/98 Number of Months The Case Was Overpaid Or Underpaid After Death	As of 9/98 Case Status And Client Status On Case	Estimate of Benefits Overpaid Or (Underpaid)	Local Office the Case Is Handled At
1	11-25-95	12-12-95	8/99	2	34	active	$ 3,468	St. Louis City
2	3-3-98	3-16-98	3/99	4	6	active	(294)	Wright County
3	3-29-98	4-13-98	2/99	3	6	active	(402)	St. Louis County
4	4-21-98	5-13-98	4/99	2	5	active	510	St. Louis City
5	4-19-96	6-13-96		4	26	expired 6/98	2,074	St. Louis County
6	9-11-97	10-8-97		2	10	closed 10/98	1,020	St. Louis City
7	9-13-97	10-14-97		5	10	expired 7/98	(2,010)	St. Louis County
8	7-28-97	8-19-97		2	10	expired 5/98	730	St. Louis City
9	12-15-97	12-29-97		2	9	expired 9/98	(477)	St. Francis County
10	12-30-97	2-11-98		2	5	closed 5/98	0	Jackson County
11	1-5-98	3-3-98		2	7	closed 8/98	(476)	St. Louis City
12	1-15-98	2-3-98		3	7	expired 9/98	266	Jackson County
13	1-23-98	3-4-98		2	5	expired 6/98	0	Jackson County
14	1-24-98	3-3-98		2	6	closed 7/98	0	St. Louis City
							$ 4,409	

Based on the DFS benefit calculation guidelines and the earned income information in the case files, it appears the benefits were overpaid $8,068 on six of the cases and benefits were underpaid $3,659 on five cases.

Based on the results of our review, it appears caseworkers may not always receive or appropriately act on the death match reports sent to them. For example, in one case it appeared a benefit adjustment was appropriately made by the client's TANF caseworker, but not by the client's Food Stamp caseworker. In another instance, the case file indicated the death was only determined when the client's mail was returned to the DFS office and the death match report was not in the case file. In three instances, repeated case redetermination took place without the death being determined or reported by other clients on the case. For one of these cases, the caseworker identified the client's death ten months after its occurrence. The case file contained no indication of a computer match death notice.

DFS procedures need to be revised to ensure death match reports are received by caseworkers and reviewed on a timely basis. The revised procedures should ensure follow-up action if case changes or corrections are not made promptly.

WE RECOMMEND the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish procedures to follow-up on the status of death match reports submitted to local offices for review to ensure action is appropriately taken to reevaluate the benefits the case is receiving.

AUDITEE'S RESPONSE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-17. Eligibility-Benefits to Felons

		Questioned Costs
Federal Agency:	Department of Agriculture and Department of Health and Human Services	
Federal Program:	10.551 Food Stamps	$521
	93.558 Temporary Assistance for Needy Families	0
State Agency:	Department of Social Services - Division of Family Services (DFS)	

The Personal Responsibility and Work Reconciliation Act of 1996, that became effective August 22, 1996, forbids the use of TANF or Food Stamp funds to provide assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony, or who is violating a condition of parole or probation imposed under federal or state law.

During the month of April 1998, the state had approximately 234,000 TANF and Food Stamp recipients over age nineteen. To determine if the DFS was in compliance with this new requirement, we selected a statistical sample of 386 clients and asked the Missouri State Highway Patrol to determine if any of them had outstanding felony warrants. This sample was calculated to provide a 95% confidence level.

We identified two persons with outstanding felony warrants who had active Food Stamp cases as of October 1998. The following table provides greater detail on the two individuals:

Case Number	Date Warrant Issued	Month No Longer Eligible	Estimated Total Amount Overpaid As of 10/31/98	Case Status at 10/31/98	County Office
1	11-4-97	3/98 (1)	$ 385	active (2)	McDonald
2	8-12-98	9/98	136	active	St. Louis
			$ 521		

(1) Month client's inactive case was reopen
(2) Case was sanctioned August 25, 1998 for an unrelated problem.

Our statistical sample indicates the estimated number of clients ineligible for benefits is approximately 1,200. For the year ended June 30, 1998, the average monthly food stamp

benefit paid per client was approximately $70 and the 1,200 clients would receive up to $84,000 in projected ineligible benefits monthly.

Based on these projections, it appears the DFS should establish a cost-effective procedure to determine if clients have outstanding felony warrants.

WE RECOMMEND the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish a cost-effective procedure to determine whether clients have outstanding felony warrants or have committed other violations that would prevent their eligibility.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-18.	**Eligibility-Social Security Number**

Federal Agency: Department of Agriculture and Department of Health and Human Services

Federal Program: 10.551 Food Stamps
93.558 Temporary Assistance for Needy Families

State Agency: Department of Social Services - Division of Family Services (DFS)

All clients must apply for and be approved to receive benefits. During the application process, caseworkers are required to obtain social security numbers for each person included in the case. If the applicant cannot provide documentation of the social security number of all case members, program rules require the case to be opened and the necessary social security number documentation obtained at the client's next redetermination. If the documentation is not provided at redetermination, the client is to be removed from the case.

To test the effectiveness of DFS procedures to ensure social security numbers are obtained, we sorted a list of April 1998 TANF and Food Stamp recipients by social security number and noted 9,266 clients who did not have a social security number in the computer system database. We tested 48 of these clients and noted eleven of the forty-eight clients reviewed did not have a social security number entered into the database by November 1998. We reviewed the case files for five of these eleven clients and found that each file contained documentation of the client's social security number. Thus, it appears the caseworker obtained the social security number but did not enter it into the database.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Considering social security numbers are required for all benefit recipients and these numbers must be used in the various computer match verifications the DFS performs, procedures should be improved to ensure all social security numbers are entered into the DFS database when obtained.

WE RECOMMEND the DFS improve procedures to ensure client social security numbers obtained after the initial application are entered into the DFS database.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-19. Corrective Action on Prior Audit Findings

Federal Agency: Department of Agriculture and Department of Health and Human Services

Federal Program: 10.551 Food Stamps
93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services - Division of Family Services (DFS)

A. The DFS responded for audit finding 97-16A in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding ineligible receipt of TANF benefits by clients due to unreported workers' compensation benefits. While our review indicated that corrective action had been taken for the nine ineligible cases reported, a periodic match between the DFS computer records and workers' compensation computer records has not been established to identify workers' compensation benefits unreported by clients. The DFS response incorrectly implies that such a match is currently being done. The DFS has indicated it plans to implement such a match as part of the Family Assistance Management Information System (FAMIS) computer system, but that match has not yet been started.

B. The DFS responded for audit finding 97-16C in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding clients with invalid social security numbers on the DFS computer system. Our review indicated that all errors noted in the last audit were corrected; however, an additional eight clients

with invalid numbers were noted in the population of April 1998 TANF and Food Stamp benefit recipients. None of these invalid numbers had been corrected by November 1998. On a quarterly basis DFS local offices are to receive a report of social security numbers reported as incorrect or invalid by the Social Security Administration based on the verification procedures performed by the department. It appears procedures were not improved to correct invalid social security numbers being reported in the DFS computer system.

WE RECOMMEND the DFS:

A. Establish an interim match between DFS computer records and workers' compensation computer records until the match planned as part of the FAMIS system is implemented and operating effectively.

B. Improve procedures to ensure caseworkers review the quarterly social security number exception report and correct any invalid social security numbers in the DFS computer system.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-20.	**Reporting Compliance**

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant (SSBG)
State Agency: Department of Social Services (DSS)

The DSS uses SSBG monies to fund various programs within the Divisions of Aging, Family Services, and Youth Services. Department of Health and Human Services regulations 45 CFR 96.74 and 45 CFR 96, Appendices A and B, require the state to prepare an annual report of program results. The annual report can be submitted in any format of the state's choice except for certain specific data for which a standard form is provided by the federal agency. The DSS supplemented the standard form with a separate narrative summary. On the report submitted for the year ended September 30, 1997, the DSS failed to include some information necessary to comply with federal requirements. Examples of the errors or omissions included:

1. Failure to report the total social service expenditures of federal, state, and local funds for each service category. Some state and local expenditures were omitted.
2. Failure to identify for each expenditure or recipient service data line item whether the data was from actual sources, or based on estimated or sampled results. Recipient

data also failed to indicate whether the data was based upon an unduplicated or a duplicated count.

3. Failure to provide a description of the sampling and/or estimation methods used to derive any data reported which was not based on actual results.
4. Failure to report whether each type of service was provided through public or private organizations or both.
5. Reporting some children's treatment service expenditures under the "other services" line item rather than reporting the expenditures to one of the other more appropriate twenty-eight service category options. If the "other services" line item is used, the state's definition of these services is to appear in the report. Such a definition was not included.

The errors or omissions appeared to occur because the DSS had not established procedures to ensure the SSBG annual report was prepared in accordance with federal requirements.

WE RECOMMEND the DSS establish procedures to ensure the SSBG annual report is prepared in accordance with federal requirements.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-21.	**Suspension and Debarment Compliance**

Federal Agency: Department of Education and Department of Health and Human Services

Federal Program:
- 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
- 93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
- 93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services
- 93.563 Child Support Enforcement
- 93.568 Low-Income Home Energy Assistance (LIHEAP)
- 93.575 Child Care and Development Block Grant

	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
	93.658 Foster Care - Title IV-E
	93.667 Social Services Block Grant
	93.778 Medical Assistance Program
State Agency:	Department of Social Services (DSS)

The state is required to obtain a certification from all subrecipients and any contractors receiving individual awards of $100,000 or more. The certification indicates that the organization and its principals are not suspended or debarred from doing business with the federal government. The DSS has not obtained such certifications from subrecipients and contractors.

The DSS reported for finding 97-18B in the Summary Schedule of Prior Audit Findings that corrective action had been taken for a similar suspension and debarment concern noted for the LIHEAP program. However, our review determined that corrective action was not taken because the most recent contracts and subrecipient agreements for this program failed to include the required certifications.

WE RECOMMEND the DSS obtain appropriate suspension and debarment certifications from subrecipients and applicable contractors.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-22. Schedule of Expenditures of Federal Awards

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant
	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
	93.658 Foster Care - Title IV-E
State Agency:	Department of Social Services (DSS)

The Schedule of Expenditures of Federal Awards (SEFA) prepared by the DSS misreported the expenditure amounts for the following programs:

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CFDA Number	Initial Expenditure Amount Reported On The SEFA	Actual Amount Which Should Have Been Reported On The SEFA	Amount Overstated
93.575	49,393,248	23,391,411	26,001,837
93.596	140,882,199	45,149,917	95,732,282
93.658	73,666,100	61,821,857	11,844,243
	263,941,547	130,363,185	133,578,362

OMB Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards and report the total federal awards expended for each individual federal program. The DSS has not established effective procedures to ensure amounts reported on the SEFA are correct. The errors noted were corrected when we reported them to the DSS management.

WE RECOMMEND the DSS improve procedures to ensure the correct expenditure amounts are reported on the SEFA.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding. However, because the auditor acknowledges that errors were corrected when discovered, we disagree that this is a reportable item.

98-23. Cash Management

Federal Agency: Department of Health and Human Services and Department of the Treasury

Federal Program: 93.575 Child Care and Development Block Grant (CCDBG)
State Agency: Department of Social Services (DSS)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Costs: $57,090

The Cash Management Improvement Act (CMIA) and 31 CFR 205 require each state to enter into an agreement with the U.S. Department of the Treasury (DOT) covering the rules and procedures for the transfer of federal funds to the state for specific federal programs covered in the agreement. Each state will owe interest to the federal government or the federal government will owe interest to the state based on the drawdown and expenditure clearing patterns for these monies. In Missouri, the interest liability or the interest receivable for each applicable grant is submitted to the DOT by the state's Office of Administration in an annual report based on documentation submitted by the various state agencies that manage the federal programs which are included in the annual CMIA agreement.

For the year ended June 30, 1998, the CCDBG program was included in the state's CMIA agreement. As the lead agency for this grant, the DSS draws down all CCDBG funding, subsequently passing part of the funding to the Department of Health (DOH) under an interagency agreement. The DOH requests most of its CCDBG funding on a reimbursement basis as the funds are needed for its programs. However, under a separate interagency agreement between the DOH and the Department of Elementary and Secondary Education (DESE), CCDBG funding is also provided to the DESE. All the DESE funding is requested by the DOH on an advanced basis and is then transmitted to the DESE immediately upon receipt.

For the year ended June 30, 1998, the DESE held an average month end balance of $1.1 million in CCDBG funding. However, the state did not report the interest liability for this program on the CMIA Annual Report. As the lead agency for this grant, the DSS is responsible for ensuring compliance with cash management requirements. The interest liability for this grant could be as much as $57,090 based on the average balance held and the 5.19 percent interest rate required by the CMIA for fiscal year 1998.

The DSS should work with the DOH and the DESE to ensure future funding provided to these agencies is requested on a reimbursement basis or reflect monies being held at the DESE in future CMIA interest calculations.

WE RECOMMEND the DSS resolve the questioned costs. In addition, the DSS should work with the DOH and the DESE to ensure future funding provided to these agencies is requested on a reimbursement basis or reflect monies being held at the DESE in future CMIA interest calculations.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF SOCIAL SERVICES -
DIVISION OF MEDICAL SERVICES

98-24.	Ineligible Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of Medical Services (DMS)
Questioned Costs: $65,669

We matched Medicaid recipient inpatient and nursing home claims paid during the fiscal year ended June 30, 1998, and managed care claims paid in June 1998, with computer records of deaths reported in Missouri since 1980 obtained from the state's Department of Health, Bureau of Vital Statistics (BVS). The match agreed 609 Medicaid recipients by social security number with BVS records of a deceased individual. Many of the matched records were errors due to incorrect social security numbers in the BVS records or other reasons. We noted 309 recipients for whom the DMS properly either recouped money that had been paid out after the date of death, or did not pay a claim after the date of death. However, we also identified 52 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was $108,221. In addition, for 18 of the 52 recipients, the Missouri Medicaid Information System (MMIS) did not indicate a date of death, and recipient records for five of these 18 recipients still showed the individual as being eligible for Medicaid benefits.

DMS procedures need to be revised to ensure the MMIS is properly updated upon a recipient's death so that future claims are not paid inappropriately. Based on work performed, the DMS appears to have overpaid $108,221 for inpatient, nursing home, and managed care claims and we question the federal share of this amount, $65,669.

WE RECOMMEND the DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and establish procedures to ensure the MMIS is updated upon a recipient's death.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address this finding.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

98-25. Nursing Home and Hospice Claim Overpayments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of Medical Services (DMS)
Questioned Costs: $94,473

The DMS will pay hospice providers for hospice care furnished to nursing home recipients. These payments to the hospice provider include 95 percent of the nursing home per diem. The hospice is then responsible for reimbursing the nursing home based on a separate agreement between the hospice provider and the nursing home.

During our review of nursing home and hospice claims paid during the year ended June 30, 1998, we noted numerous instances in which both the nursing home and the hospice provider were paid by the DMS for the same dates of service. All of these errors occurred during the initial month the nursing home recipient elected to receive hospice care. In total, the DMS paid nursing homes for 1,809 patient days for which the hospice provider was also paid, resulting in overpayments of $159,380. We question the federal share of this amount, $94,473. Although we did not quantify the overpayment for prior years, this problem appears to have existed since hospice providers began receiving the nursing home per diem in May 1989.

WE RECOMMEND the DMS resolve the questioned costs with the grantor agency. The DMS should also investigate and resolve similar questioned costs from prior years. In addition, the DMS should establish procedures to ensure nursing home and hospice claims are properly processed and paid.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

98-26. Drug Rebate Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services, Division of Medical Services (DMS)
Questioned Costs: $257,083

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The national drug rebate program requires all drug manufacturers to enter into a rebate agreement with the U.S. Department of Health and Human Services (HHS) before their products can be reimbursed by Medicaid. The manufacturer is required to remit a rebate for each reimbursed unit of a drug at the end of each calender quarter. The Omnibus Reconciliation Act of 1990 (OBRA 90) established program guidelines applicable to both the state agencies who administer the rebate programs and the drug manufacturers. During the drug rebate dispute resolution process, the DMS identifies units over billed on drug claims. As a result, the DMS will reduce rebates from the manufacturers. Also, when a claim overpayment is determined, the DMS will initiate a recoupment from the pharmacy provider if the date of service on the claim is less than five years old. However, if the date of service is more than five years old, the DMS does not attempt to recover the overpaid claims from the pharmacy providers. The explanation given for this policy is that providers are not required to maintain documentation beyond five years from the date of service and, as a result, claim documentation may not be available for review.

As of December 1998, the Drug Rebate Unit has identified 9,193 claims with estimated overpayments totaling $423,670, for which recoupments from the pharmacies have not been initiated because the date of service for these claims is more than five years old. Federal regulations in 42 CFR Section 433.300 through 433.320 require all identified overpayments be returned to the grantor agency. We question the federal share of this amount, $257,083.

WE RECOMMEND the DMS resolve the questioned costs with the grantor agency. In addition, the DMS should ensure the grantor agency is credited for its share of overpayments when identified, attempt to recover the overpayments, and establish procedures to ensure future recoupments of overpayments are performed in a timely manner.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

98-27. Third Party Liability

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services, Division of Medical Services (DMS)

The Third-Party Liability (TPL) Unit's responsibilities include identifying, investigating, and monitoring Medicaid recipients' third-party resources. Third-party resources are responsible for paying the medical costs prior to those costs being submitted to the Medicaid Program for payment. By identifying third-party resources, the costs of the Medicaid Program can be reduced. During audit work of the TPL unit, the following concerns were noted:

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. The DMS has not maintained an up-to-date TPL action plan and has not submitted any updates to the Health Care Financing Administration (HCFA) since March 1991. Changes that have occurred since then include an increase in the cost effectiveness threshold amount for recovery of TPL claims from $75 to $500; a new contingency fee contractor and change in the scope of the contract; and some data matches no longer being performed. In addition, the DMS has been operating under a pharmacy cost avoidance waiver which expired in December 1993.

42 CFR Section 433.138 (k) and Section 3902.2 of the State Medicaid Manual require states to have an action plan for pursuing third party liability claims. The Medicaid manual requires all changes to the TPL action plan to be submitted to the HCFA Regional Office on an ongoing basis, but no later than 90 days from the date of the implementing change.

B. When the TPL Unit identifies trauma cases involving Medicaid recipients, the cases are recorded on a personal injury log. During the year ended June 30, 1998, 11,344 entries were recorded on this log. We selected 40 TPL claims from the personal injury log and for seven of 27 applicable items, the DMS failed to pursue collection from the third party within 60 days of the end of the month as required by 42 CFR Section 433.139 (d)(2). In addition, two of the seven cases, with liens of $726 and $1,190 respectively, were incorrectly closed. These cases were reopened as a result of our review.

WE RECOMMEND the DMS:

A. Ensure that the TPL action plan is maintained on a current basis and updates are submitted to HCFA in accordance with federal regulations.

B. Establish procedures to ensure collections from third parties are pursued within 60 days of the end of the month in which the potential TPL is identified.

AUDITEE'S RESPONSE

A. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

B. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address this finding.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

98-28. Hospital Overpayments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services, Division of Medical Services (DMS)
Questioned Costs: $183,196

Section 1923 (g)(1)(A) of the Social Security Act and the Omnibus Reconciliation Act of 1993 (OBRA 93) require that payments not exceed the hospital's costs of treating Medicaid patients and the costs of uninsured patients. During our review of hospital payments, we noted the following concerns:

A.1. In March 1998, the DMS identified payments totaling $4,794,643 made to twenty hospitals which exceeded these hospitals' cost of providing care to Medicaid and uninsured patients. These overpayments sometimes unavoidably occur due to changes in estimates used to calculate provider incentive payments. Due to accounting errors in recording the related accounts receivable, the DMS only reduced the total Medicaid expenditures by $1,568,845, leaving $3,225,798 which were not initially netted against Medicaid expenditures. A similar accounting error, totaling $612,295, occurred during the previous fiscal year ended June 30, 1997. After we brought these matters to their attention, the DMS made the necessary corrections to the report to HCFA for the quarter ending September 30, 1998.

42 CFR Section 433.300 through Section 433.320, requires the DMS to return overpayments to the grantor agency within 60 days.

2. At the time of our review in January 1999, nineteen of the twenty hospitals had either repaid the overpayment, or were having amounts withheld from subsequent Medicaid payments. However, one of the twenty hospitals noted above still owed the DMS the entire amount of a $815,972 overpayment. As of January 1999, this hospital had received approximately $11.2 million in Medicaid payments since the receivable was established in March 1998. However, the DMS had not recouped any of the overpayment from this hospital. The DMS indicated recoupment had not begun in this case due to legal issues regarding a merger of this hospital. The DMS should recoup all overpayments in a timely manner.

B. The DMS established new inpatient per diem rates for all 147 hospital providers effective April 1, 1998. These new per diem rates were based on the providers' 1995 cost reports. We reviewed the per diem rate for 20 hospital providers and noted one provider's per diem rate which was apparently inappropriately increased by $155 in December 1998. This hospital had been paid a $155 incentive payment (as allowed by state regulation) since June 1993, to compensate it for additional costs related to

providing acute treatment services to former residents of a state mental hospital. When new rates were established in 1998, the additional costs associated with providing the acute treatment were included in the 1995 cost report, and therefore considered when establishing the $824 per diem. However, the DMS failed to rescind the state regulation which provided for the initial incentive payment. On December 18, 1998, the DMS notified the hospital by letter of a $155 rate increase from $824 to $979. The DMS then retroactively adjusted claims with dates of service between April 1, 1998 and December 18, 1998 to pay at the new rate of $979, resulting in an additional payment of $301,906. The letter indicated that the increase was to allow an incentive payment to be added to the hospital's per diem for inpatient acute care services as provided by the state regulation. We question the federal share of the retroactive payment, $183,196.

It should also be noted the retroactive payment to this provider appears to exceed the limitations of the Social Security Act and OBRA 93 for state fiscal year 1998 because payments to this provider exceeded the hospital's costs of treating Medicaid and uninsured patients. The DMS asserts that additional capital and education costs were allowed this hospital to ensure these limitations were not exceeded. However, these costs were not allowed to other hospital providers during state fiscal year 1998. If other hospitals had been allowed these costs, the amount of overpayments identified in A.1. above would have been reduced.

WE RECOMMEND the DMS:

A.1. Establish procedures to ensure the federal share of overpayments is credited to the grantor agency within 60 days.

2. Ensure overpayments are recouped from providers in a timely manner.

B. Resolve the questioned costs with the grantor agency. In addition, the DMS should recoup overpayments made to this provider and establish procedures to ensure reimbursement rates comply with state and federal regulations.

AUDITEE'S RESPONSE

A.1. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address this finding.

2. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.

B. We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Office of Management and Budget (OMB) Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 1997, and the findings from the prior audits for the years ended June 30, 1996 and 1995, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

OMB Circular A-133 requires the auditor to follow-up on these prior audit findings, perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings, and report, as a current year finding, when the auditor concludes that the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 1996 is as follows:

Findings numbered 1, 3A, 4, 6B, 7, 8, 10, 11, and 15B were corrected.

Findings numbered 2, 3B, 5, 6A, 9, 12, 13, 14, 15A, and 16 are included in the Summary Schedule of Prior Audit Findings.

The disposition of the findings from the year ended June 30, 1995 is as follows:

Findings numbered 1, 2, 5, 7, 9, 12, 13, 14, 15, 17B, 19, 21B, 22, and 23 were corrected.

Findings numbered 6, 8, 11, 16, and 24B did not warrant further action.

Findings numbered 3, 4, 10, 17A, 18, and 24A had similar findings in the report for the year ended June 30, 1996 and, as a result, are not included in this report as findings for 1995.

Findings numbered 17C, 20, and 21A are included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997

97-1.A. Expenditures

Federal Agency: Department of Labor
State Agency: Department of Economic Development – Division of Job Development and Training (DJDT)

CFDA Number	Program Name	Questioned Costs
17.246	Employment and Training Assistance – Dislocated Workers	$0
17.250	Job Training Partnership Act	0

A Service Delivery Area (SDA) administrative entity paid $6,525 in transportation costs to a school district even though the contract indicated transportation services would be provided at no charge. In addition, the administrative entity did not obtain bids for the cost of transporting program participants.

Recommendation

The DJDT:

1. Obtain reimbursement from the school district of the $6,525 and ensure the administrative entity does not reimburse expenditures when an agreement exists indicating the services are to be provided without funding from the administrative entity.

2. Ensure the SDA administrative entity complies with bidding requirements.

Status of Finding:

Instead of receiving reimbursement, the SDA reduced a future period transportation billing from the school district by $6,525. The school district provided transportation at no cost to the Title II-B program. The SDA procurement process was reviewed and will be reviewed during future monitoring visits. DJDT considers this prior finding fully corrected.

Preparer's Signature: Harry Strumph Phone Number: 751-4750

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997

97-1.B Expenditures

Federal Agency: Department of Labor
State Agency: Department of Economic Development – Division of Job Development and Training (DJDT)

CFDA Number	Program Name	Questioned Costs
17.246	Employment and Training Assistance - Dislocated Workers	$1,909
17.250	Job Training Partnership Act	5,227

Some on-the-job training (OJT) salary reimbursement claim forms paid by administrative entities were not signed by program participants resulting in questioned costs of $7,136.

Recommendation

The DJDT resolve the questioned costs with the grantor agency and ensure the administrative entities comply with OJT documentation requirements.

Status of Finding:

The administrative entities provide some of the required documentation or participant signatures to support some of the questioned costs. OJT documentation requirements will be reviewed during future monitoring visits to the administrative entities. The grantor agency has not yet requested the Governor's resolution of this finding. Once payment has been received from the administrative entity, DJDT will consider this finding fully corrected.

Status of Questioned Costs:

DJDT has determined $2,133 of the questioned cost to be disallowed. The administrative entity has been notified this amount must be returned to DJDT from non-federal funds. The disallowed costs are a debt and if not paid will be turned over to the State Attorney General's Office for debt collection.

Preparer's Signature: Mary Strength Phone Number: 751-4750

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997

97-2.A. Fixed Asset Records and Procedures

Federal Agency: Department of Labor
State Agency: Department of Economic Development – Division of Job Development and Training (DJDT)

CFDA Number	Program Name	Questioned Cost
17.246	Employment and Training Assistance – Dislocated Workers	$0
7.250	Job Training Partnership Act	0

Some Service Delivery Areas (SDAs) did not report physical inventory results to the DJDT on a timely basis.

Recommendation

The DJDT enforce deadlines for receipt of physical inventory results from SDAs.

Status of Finding:

Not corrected. DJDT did not receive all of the required physical inventory results for the year ending June 30, 1998. DJDT will make every effort possible to ensure the reporting requirements for physical inventories are received from the SDAs in a timely manner.

Preparer's Signature: Harry Stricmpfle Phone Number: 751-4750

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997

97-2.B. Fixed Asset Records and Procedures

Federal Agency: Department of Labor
State Agency: Department of Economic Development – Division of Job Development and Training (DJDT)

CFDA Number	Program Name	Questioned Costs
17.246	Employment and Training Assistance - Dislocated Workers	$0
17.250	Job Training Partnership Act	0

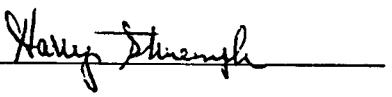
The DJDT did not conduct physical inventories at its headquarters or at the Service Delivery Areas (SDAs) during the year ended June 30, 1997.

Recommendation

The DJDT conduct annual physical inventories in accordance with state regulations.

Status of Finding:

DJDT conducted the physical inventory and will in the future comply with state inventory regulations. DJDT considers this finding fully corrected.

Preparer's Signature:  Phone Number: 751-4750

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997

97-2.C Fixed Asset Records and Procedures

Federal Agency: Department of Labor
State Agency: Department of Economic Development – Division of Job Development and Training (DJDT)

CFDA Number	Program Name	Questioned Costs
17.246	Employment and Training Assistance - Dislocated Workers	$0
17.250	Job Training Partnership Act	0

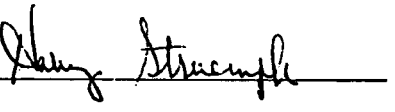
Fixed asset location information on the DJDT's fixed asset records for the four Service Delivery areas (SDAs) tested was inaccurate for fourteen of fifty-eight items tested. It appears the SDAs did not report equipment transfers to the DJDT within 30 days as required.

Recommendation

The DJDT enforce the requirement that SDAs report equipment transfers to the DJDT within 30 days.

Status of Finding:

Fully corrected. DJDT will make every effort possible to enforce SDA compliance with equipment memorandum reporting requirements.

Preparer's Signature:  Phone Number: 751-4750

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-3. Vocational Rehabilitation Refunds

Federal Agency: Department of Education and Social Security Administration
State Agency: Department of Elementary and Secondary Education (DESE)

CFDA Number	Program Name	Questioned Costs
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	$0
96.001	Social Security - Disability Insurance	0

The Division of Vocational Rehabilitation did not transmit refunds received to the Department of Revenue for deposit on a timely basis, in accordance with department policy.

Recommendation:

The DESE, Division of Vocational Rehabilitation transmit receipts in accordance with its policy.

Status of Finding:

The Department of Elementary and Secondary Education - Vocational Rehabilitation is attempting to timely transmit receipts in accordance with our policy.

Preparer's Signature: Audrey Beck Phone number: 751-4681

10/30/97

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-4. Special Education Consulting Services

Federal Agency: Department of Education
State Agency: Department of Elementary and Secondary Education (DESE)

CFDA Number	Program Name	Questioned Costs
84.027	Special Education - Grants to States	$26,363
84.181	Special Education - Grants for Infants and Families with Disabilities	9,637

Department-wide consulting service expenditures were directly charged to the Special Education program grants resulting in questioned costs of $36,000.

Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure only expenditures specifically related to the Special Education program are charged directly to Special Education grants.

Status of Finding:

The Department has contacted the U.S. Department of Education regarding this finding. They indicated that the finding will be forwarded to the appropriate federal agency and a final judgment would be made at that time.

Status of Questioned Costs:

Unresolved.

Preparer's Signature: Cynthia Beck 11/9/99 Phone number: 751-4681

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-5.A. Salaries

Federal Agency: Department of Agriculture and Department of Education
State Agency: Department of Elementary and Secondary Education (DESE)

CFDA Number	Program Name	Questioned Costs
10.560	State Administrative Expenses for Child Nutrition	$0
84.010	Title I Grants to Local Educational Agencies	0

The department did not prepare semi-annual certifications or personnel activity reports to support the salaries paid from applicable federal programs.

Recommendation:

The DESE maintain semi-annual certifications or personnel activity reports for all employees working on federal programs as required by OMB Circular A-87.

Status of Finding:

Semi-annual certifications or personnel activity reports are being maintained for all employees working on federal programs as required by OMB Circular A-87.

Preparer's Signature: Audrey Beck Phone number: 751-4681

10/30/98

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-5.B. Salaries

Federal Agency: Department of Education
State Agency: Department of Elementary and Secondary Education (DESE)

CFDA Number	Program Name	Questioned Costs
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	$6,044

Documentation was not maintained to support the method used to allocate an employee's salary resulting in questioned costs of $6,044. The employee did not maintain time sheets or personnel activity reports nor was the allocation method used for this salary approved by the cognizant federal agency.

Recommendation:

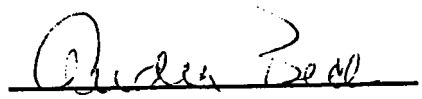
The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should obtain cognizant federal agency approval of its allocation method for this salary or require the individual to maintain time sheets, personnel activity reports or other documentation as required by OMB Circular A-87.

Status of Finding:

The U.S. Department of Education was contacted via written request for a determination on this issue. They indicated that "it is not unusual for someone to work under and be paid from both indirect and direct cost objectives. The provision at OMB Circular A-87 - Attachment B, Item 11.(h)(4)('c) addresses this particular work environment. You must, however, account for 100% of the worker's effort. Failure to do so could result in duplication or shifting of costs only to those programs or activities for which time is accounted." This documentation is currently being maintained for this employee.

Status of Questioned Costs:

Unresolved.

Preparer's Signature:  Phone number: 751-4681

11/9/98

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-6. Time Accounting Variance Reports

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Health (DOH)

CFDA Number	Program Name	Questioned Costs
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	$0
93.268	Childhood Immunization Grants	0
93.575	Child Care and Development Block Grant	0

Some divisions had not reviewed the June 1997 time accounting system variance reports and submitted changes to the DOH-Bureau of Financial Services (BFS) in a timely manner.

Recommendation:

The DOH establish procedures to ensure the monthly time accounting variance reports are reviewed by appropriate division personnel and corrections reported to the BFS in a timely manner.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: Peggy Howie Phone number: 573-751-6014

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-7. Federal Reporting

Federal Agency: Department of Education
State Agency: Department of Higher Education (DHE)

CFDA Number	Program Name	Questioned Costs
84.032	Federal Family Education Loans (FFEL)	$0

The department did not include approximately 950 supplemental preclaims assistance (SPA) loan accounts on monthly reports to the federal agency.

Recommendation:

The DHE ensure that all SPA accounts are reported to the federal agency for reimbursement.

Status of Finding:

Corrective action was taken.

Preparer's Signature: Kaye Ann Lecure Phone number: (573) 751-1786

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-8. Funds Held Outside the State Treasury

Federal Agency: Department of Education
State Agency: Department of Higher Education (DHE)

CFDA Number	Program Name	Questioned Costs
84.032	Federal Family Education Loans	$0

The DHE maintains a bank account for the Automatic Transfer of Money (ATOM) Program. The department does not have statutory authority on the state level to maintain funds outside the State Treasurer's office.

Recommendation:

The DHE move this account to the state treasury or pursue specific authority to establish the ATOM account outside the state treasury.

Status of Finding:

Not corrected. However, the DHE is planning to introduce legislation in the next legislative session to obtain specific authority for the ATOM bank account.

Preparer's Signature: Rayz Ann Lewis Phone number: (573) 751-1786

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-9. Davis-Bacon Act Compliance

Federal Agency: Department of Transportation
State Agency: Department of Transportation (MoDOT)

CFDA Number	Program Name	Questioned Costs
20.205	Highway Planning and Construction	$0

The department uses wage interviews of construction project employees to evaluate contractor and subcontractor compliance with the Davis-Bacon Act. For three of five projects reviewed, the department did not perform the number of wage interviews required by department policies.

Recommendation:

The MoDOT implement procedures to ensure the required number of wage interviews are performed to document compliance with the Davis-Bacon Act.

Status of Finding:

Procedures have been implemented to provide reasonable assurance of and document compliance with the Davis-Bacon Act.

Preparer's Signature: Phone number: 522 - 4350

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-10. Real Property Dispositions

Federal Agency: Department of Transportation
State Agency: Department of Transportation (MoDOT)

CFDA Number	Program Name	Questioned Costs
20.205	Highway Planning and Construction	$0

We reviewed ten of seventeen dispositions of excess right-of-way land and noted two instances in which the MoDOT did not contact the awarding agency prior to disposing of the property.

Recommendation:

The MoDOT obtain disposition instructions prior to disposing of real property acquired with federal funds.

Status of Finding:

MoDOT has revised procedures to give reasonable assurance that disposition instructions are obtained from FHWA prior to the disposal of real property acquired with federal funds.

Preparer's Signature: _____ Phone number: 522-4350

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-11. Questionable Payments to Service Providers

Federal Agency: Department of Health and Human Services
State Agency: Department of Mental Health (DMH)

CFDA Number	Program Name	Questioned Costs
93.959	Block Grant for Prevention and Treatment of Substance Abuse	$936,811

The DMH provided $936,811 of program funding to three for-profit providers, who are ineligible to receive these block grant funds.

Recommendation:

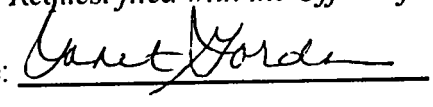
The DMH resolve the questioned costs with the grantor agency. In addition, the DMH should discontinue providing block grant funds to for-profit providers.

Status of Finding:

Corrected. The funding process ensures payments from the Block Grant will be disbursed to nonprofit entities only.

Status of Questioned Costs:

Payment Correction Request filed with the Office of Administration.

Preparer's Signature:  Phone number: 751-8050

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-12.A. Subrecipient Audits and Monitoring of Findings

Federal Agency: Federal Emergency Management Agency
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

CFDA Number	Program Name	Questioned Costs
83.516	Disaster Assistance	$0

The SEMA did not have effective procedures to ensure audit reports received from Public Assistance Program subrecipients were reviewed and necessary follow-up action was taken in a timely manner.

Recommendation:

The SEMA review all subrecipient audit reports in a timely manner and ensure appropriate corrective action is taken within six months after receipt of the audit report as required by federal regulation.

Status of Finding:

Procedures to ensure required audits of sub-recipients receiving Public Assistance funds are as follows:

1. Applicants are informed of audit requirements at Applicant Briefing conducted by SEMA/FEMA immediately following the disaster declaration.

2. Audit requirements are continually provided to sub-recipients as funds are advanced and close-out procedures are accomplished.

3. The receipt of audit reports are logged and entered into a computer data base by PA staff which is shared by the PA and Hazard Mitigation staff.

4. Where audits indicate or identify questionable costs, appropriate actions are taken with the sub-recipient contacted by SEMA and the matter rectified.

5. As recommended, SEMA staff will ensure that all audits will be reviewed and corrective action initiated within six months.

Preparer's Signature: Craig Rodick Phone number: 526-9106

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97.12.B. Subrecipient Audits and Monitoring of Findings

Federal Agency: Federal Emergency Management Agency
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

CFDA Number	Program Name	Questioned Costs
83.516	Disaster Assistance	$0

The SEMA did not have an effective tracking system to ensure audit reports were submitted from Buyout Program subrecipients. In addition, no documentation was maintained supporting the review of audit reports received. Most subrecipients of the Buyout Program are also subrecipients of the Public Assistance (PA) Program.

Recommendation:

The SEMA establish a combined subrecipient tracking and review system for the PA and Buyout Programs to adequately monitor which subrecipients are required to submit an audit report, the date the report is received and the date reviewed.

Status of Finding:

Procedures to track and ensure required audit reports are requested, received, and reviewed for significant findings are as follows:

1. Upon completion of a project, a letter accompanying the final performance report (a closeout report completed by the State Emergency Management Agency) is sent to the community receiving federal funds. This letter states the community must submit the required audit reports per the Single Audit Act. (This policy was established prior to review by the State Auditor's Office.)

2. Since receipt of the State Auditor's Office's report for year ended June 30, 1997, a database has been created which will track each project's required, requested, received, and reviewed audit reports. It will also note significant findings (if any exist) and the corrective actions that are taken.

3. Upon receipt of an audit report, it is reviewed with comments in the database. A report is generated from the information in the database which summarizes the review of the audit report. If a significant finding is noted, a letter will be sent to the community requesting a written response regarding the finding and any corrective actions taken.

4. In addition, every quarter (starting the quarter ended March 31, 1998) a review of the funds disbursed will be completed verifying whether the community has reached the annual threshold as stated in the Single Audit Act of 1984, the Single Audit Act of 1984, as amended 1996, and the Office of Management and Budget (OMB) Circular A-133.

If the community has reached the annual threshold based on its fiscal year, the community will be notified in writing that an audit report for that fiscal year is required.

If the community has not reached the annual threshold and has completed a fiscal year in which it received federal funds, the community will receive a written notice requesting:

(1) a concurrence stating that the community has not received aggregate federal funds of more than the established threshold for the specified fiscal year

or

(2) the audit report for the specified fiscal year if the community determines that it has received aggregate federal funds of more than the established threshold for that fiscal year.

Note: Prior to contacting the community for the required audit reports, we will check if the specific fiscal year audit report has already been submitted to another section of our agency, specifically fiscal and public assistance. If it has, we will review that copy and contact the community only if a significant finding has been noted.

Preparer's Signature: Craig Fuller Phone number: 751-2458

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-13 Automated Child Support Enforcement System

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Child Support Enforcement (DCSE)

CFDA Number	Program Name	Questioned Costs
93.563	Child Support Enforcement	$0

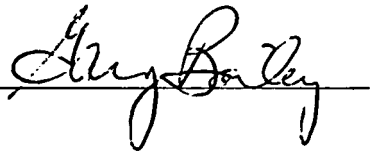
Given the current status of the automated child support enforcement system, it is unclear whether the system will be certified during the federal certification review. Additional system enhancements with various deadlines are required to be in place by the year 2001.

Recommendation:

The DCSE ensure federal deadlines for the automated child support enforcement system are met.

Status of Finding:

The Division of Child Support Enforcement through its memorandum dated October 5, 1998 has affirmed that the DCSE has successfully addressed the audit finding 97-13, Automated Child Support Enforcement System. It states "During the week of September 21 - September 25, 1998, the Missouri Automated Child Support System (MACSS) was inspected by representatives of the Department of Health and Human Services. Based on the exit comments of those representatives, it appears Missouri has achieved certification of the federally mandated automated child support enforcement system and financial penalty has been avoided."

Preparer's Signature:  Phone number: 751-4927

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-14. Distribution of Support Collections

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Child Support Enforcement (DCSE)

CFDA Number	Program Name	Questioned Costs
93.563	Child Support Enforcement	$0

Of the 508 receipts received during the second week of June 1997, there were 85 receipts totaling $16,616 that were not distributed within three working days, as required.

Recommendation:

The DCSE ensure child support collections are distributed promptly.

Status of Finding:

The Division of Child Support Enforcement through its memorandum dated October 5, 1998 has affirmed that the DCSE has successfully addressed the audit finding 97-14, Distribution of Support Collections. It states "On September 24, 1998 the DCSE Policy Unit issued CSE #47 addressing the subject of payment processing. A copy of that policy update and it attachments accompany this memorandum."

Preparer's Signature: Phone number: 751-4927

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-15. FAMIS Contract Change Request

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services (DSS)

CFDA Number	Program Name	Questioned Costs
10.561	State Administrative Matching Grants for Food Stamp Program	$133,624
93.558	Temporary Assistance for Needy Families	386,988
93.566	Refugee and Entrant Assistance - State Administered Programs	413
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	11,652
93.778	Medical Assistance Program	66,234

The contractor for the Family Assistance Management Information System (FAMIS) project was overpaid $826,368 of which the federal share was $598,911.

Recommendation:

The DSS resolve the questioned costs with the federal grantor agencies.

Status of Finding:

The overpayment of $5,985 was recouped by a reduction of the final invoice to BDM.

Status of Questioned Costs:

DSS continues to disagree that the payment was inappropriate. DSS initiated conversations with representatives of the federal grantor agencies. During the conversations, it was indicated by the representatives of the federal agencies that the amount paid to BDM was not inappropriate. DSS received approval for amounts requested through the APD process, which included but did not specifically identify this particular payment. There is no correspondence that directly addressed this payment, but DSS posits the issue of the costs questioned in the prior audit have been resolved.

Preparer's Signature: James P Burns Phone number: 751-2170

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-16.A. Benefit Eligibility

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
10.551	Food Stamps	$0
93.560	Family Support Payments to States - Assistance Payments	0
93.568	Temporary Assistance for Needy Families (TANF)	0
93.778	Medical Assistance Program	0

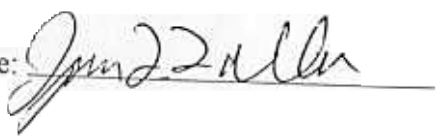
The DFS does not perform a routine match of workers' compensation benefit payments to clients receiving assistance benefits such as Food Stamps, TANF, and Medicaid. We performed a computer match of persons receiving workers' compensation payments as of June 1997, which identified 225 cases that required further research to determine if the clients received ineligible assistance. We tested fourteen of the cases and noted nine clients who were ineligible to receive $11,502 in TANF benefits and $3,906 in Medicaid benefits. In addition, if the benefits being paid these clients did not stop for the remaining period of ineligibility an additional $8,109 in benefits would be paid. The DFS plans to include a computer match between DFS files and workers' compensation benefit payment records as part of the Family Assistance Management Information System (FAMIS) being developed; however, the date of completion of this system and performance of this match is not expected for some time.

Recommendation:

The DFS review the nine cases noted and recoup any inappropriate assistance benefits that were disbursed to ineligible clients. The DFS should also consider establishing an interim periodic match between DFS computer records and workers' compensation computer records until the match planned as part of the FAMIS system is implemented and operating effectively. In addition, DFS should ensure all workers' compensation payments reported or determined through future match procedures are clearly documented in the client's case file along with an evaluation of the payment on the client's eligibility and monthly benefit amount.

Status of Finding:

Corrective action has been taken.

Preparer's Signature:  Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-16.B. Benefit Eligibility

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
93.560	Family Support Payments to States - Assistance Payments	$0
93.568	Temporary Assistance for Needy Families (TANF)	0
93.778	Medical Assistance Program	0

We matched computer records of TANF and Food Stamp recipients to state employees as of August 1997 and reviewed eligility criteria for fifty employees receiving assistance. Of the fifty cases we reviewed, we noted that two employees of the Department of Social Services received at least $6,600 in TANF benefits and $2,560 in Medicaid benefits for which they appeared to be ineligible based on their salary level. It appears these clients failed to report earned income or employment status changes. Eligibility redeterminations on these clients were not done timely or effectively in identifying the changes.

Recommendation:

The DFS review the two cases noted and recoup any inappropriate assistance benefits that were disbursed to ineligible clients. In addition, the DFS should strengthen procedures used to identify unreported changes in a client's earned income or employment status and ensure case redeterminations are performed timely.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: _____ Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-16.C. Benefit Eligibility

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
10.551	Food Stamps	$0
93.560	Family Support Payments to States - Assistance Payments	0
93.568	Temporary Assistance for Needy Families (TANF)	0
93.778	Medical Assistance Program	0

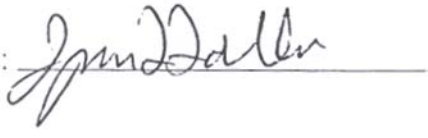
We performed a computer match of August 1997 TANF and Food Stamp clients to a list of invalid social security numbers and noted fourteen clients with invalid social security numbers on the DFS computer system. Seven of these clients still had invalid social security numbers reported on the computer system in January 1998.

Recommendation:

The DFS review the remaining seven invalid social security numbers for correctness and make any appropriate changes to the case files and computer records. In addition, DFS should strengthen procedures used to determine the validity of social security numbers provided by clients.

Status of Finding:

Corrective action has been taken

Preparer's Signature:  Phone number: 573-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-17. Salary Certifications

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services (DSS)

CFDA Number	Program Name	Questioned Costs
10.561	State Administrative Matching Grants for Food Stamp Program	$0
93.563	Child Support Enforcement	0
93.568	Low-Income Home Energy Assistance	0
93.778	Medical Assistance Program	0

The DSS, Division of Budget and Finance (DBF) did not have effective procedures to ensure employees who worked solely on a single federal program or cost objective submitted required payroll certifications.

Recommendation:

The DBF strengthen procedures to ensure certifications are obtained at least semi-annually for employees who work on one federal program or cost objective.

Status of Finding:

Corrective action has been taken

Preparer's Signature: James P. Burns Phone number: 751-2170

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-18.A. Subrecipient Compliance

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
93.556	Family Preservation and Support Services	$0

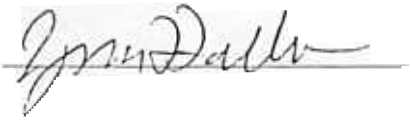
Procedures had not been established to ensure all applicable subrecipients for the Family Preservation and Support Services program submit audits performed under Circular A-133 requirements and that management decisions were issued within six months of receipt of these reports.

Recommendation:

The DFS establish procedures to ensure applicable subrecipients of the Family Preservation and Support Services program submit audit reports in accordance with Circular A-133 requirements and the department issues management decisions on audit findings within six months of receipt of these reports.

Status of Finding:

Corrective action has been taken.

Preparer's Signature:  Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-18.B. Subrecipient Compliance

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
93.556	Family Preservation and Support Services	$0
93.568	Low-Income Home Energy Assistance (LIHEAP)	0

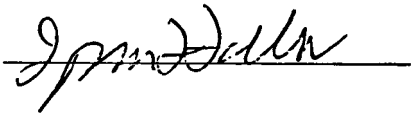
The DFS did not obtain suspension and debarment certifications from subrecipients.

Recommendation:

The DFS ensure appropriate suspension and debarment certifications are obtained from subrecipients for the LIHEAP and Family Preservation and Support Services programs.

Status of Finding:

Corrective action has been taken.

Preparer's Signature:  Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-19. Fixed Asset Records

Federal Agency: Department of Agriculture
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
10.561	State Administrative Matching Grants for Food Stamp Program	$0

The DFS fixed asset records were inadequate to ensure compliance with 7 CFR 277.13 regarding transfer or disposal of equipment purchased for the administration of the Food Stamp program.

Recommendation:

The DFS establish procedures to ensure compliance with 7 CFR 277.13.

Status of Finding:

Not corrected. DSS anticipates using the Sam-II system to record fixed assets. It is anticipated that the system will be implemented July 1, 1999.

Preparer's Signature: Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-20. Claims Accounting Restitution System Units

Federal Agency: Department of Agriculture
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
10.551	Food Stamps	$0

The Claims Accounting Restitution System (CARS) Units in the St. Louis County and City of St. Louis DFS offices were not entering claims in the CARS on a timely basis.

Recommendation

The DFS ensure the local office CARS Units enter claims in the CARS on a timely basis.

Status of Finding

Partially corrected. A collaborative effort has been initiated between Quality Assurance staff, local County staff and Program and Policy staff to look at ways to deal with the backlog of claims, as well as streamlining the current claims process.

Preparer's Signature: Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-21.A&B Surveillance, Utilization Review Subsystem

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

The Surveillance, Utilization, Review Subsystem unit did not review all suspect or potential recipient cases for placement in the lock-in program. Provider case reviews performed by the unit were not done on a timely basis.

Recommendation:

The DMS establish a summary report to periodically review the status of all open provider and recipient cases to ensure case reviews are conducted in a timely manner. In addition, the DMS should increase efforts to identify and correct Medicaid program abuse.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: Sherry Senion Phone number: 751-3399

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-21.C Surveillance, Utilization Review Subsystem

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

Coding errors regarding eligibility and level of care resulted in certain recipients being identified as Long-Term Care Facilities (LTCF) recipients by the Medicaid Management Information System (MMIS), when in fact these recipients did not reside in LTCFs.

Recommendation:

The DMS correct the coding errors for identifying recipients who should be included in the population reporting for recipient exception processing.

Status of Finding:

Corrective action has been taken

Preparer's Signature: Sherry Simon Phone number: 751-3399

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-22.A. ADP Risk Analysis and Security Review

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

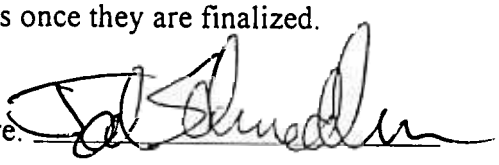
The DMS had not established a security plan for automated data processing (ADP) systems.

Recommendation:

The DMS establish a security plan for the ADP systems in accordance with federal requirements.

Status of Finding:

Not yet corrected. Federal regulations regarding ADP system security have been proposed, but are not yet final. Because proposed regulations are subject to change, DMS will take action to comply with the regulations once they are finalized.

Preparer's Signature:  Phone number: 751-7996

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-22.B. ADP Risk Analysis and Security Review

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

The DMS had not conducted biennial ADP system security reviews.

Recommendation:

The DMS perform biennial ADP system security reviews as required by federal regulations.

Status of Finding:

Not yet corrected. Federal regulations regarding ADP system security have peen proposed, but are not yet final. Because proposed regulations are subject to change, DMS will take action to comply with the regulations once they are finalized.

Preparer's Signature: _____ Phone number: 751-7996

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-23.A. Drug Rebate Program

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

The DMS did not bill drug manufacturers under the national drug rebate program within established federal time limits. In addition, the DMS had not established procedures to monitor the dispute resolution process and ensure disputes were resolved in a timely manner.

Recommendation:

The DMS establish procedures to ensure compliance with federal regulations relating to billing and dispute resolution on the drug rebate program.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: _____ Phone number: _____

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-23.B Drug Rebate Program

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

The DMS had not established adequate procedures for calculating, recording, billing, and collecting interest due from drug manufacturers for drug rebate program payments not remitted within thirty days of the invoice date.

Recommendation:

The DMS implement procedures to calculate, record, bill, and collect interest monies due from drug manufacturers.

Status of Finding:

Partially corrected. The programmers are actively working to develop the system. Anticipated completion date is late 1998 or early 1999.

Preparer's Signature: _____ Phone number: 536-3728

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-24. Managed Care Plus (MC+)

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

The DMS had not established procedures to ensure the health plans enrolled in the MC+ program submit encounter claims or ensure encounter claims are accurate and complete.

Recommendation:

The DMS establish procedures to ensure that health plans enrolled in the MC+ program are submitting complete and accurate encounter claims data.

Status of Finding

Corrective action has been taken.

Preparer's Signature: Phone number: 751-6922

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1996

96-2. Fixed Assets

Federal Agency: Department of Labor
State Agency: Department of Economic Development – Division of Job Development and Training (DJDT)

CFDA Number	Program Name	Questioned Costs
17.246	Employment and Training Assistance - Dislocated Workers	$0
17.250	Job Training Partnership Act	0

Forty-eight fixed asset items with acquisition costs totaling $67,969 were not located by Service Delivery Area (SDA) 3 and 12. One hundred fifteen fixed asset items with acquisition costs totaling $153,528 were not located by SDA 13.

Recommendation

The DJDT require the SDAs to locate or replace the missing items or otherwise resolve this issue with the grantor agency.

Status of Finding:

Partially corrected. DJDT was unable to fully resolve this finding by the planned dated. Approximately 55% of the equipment have been located. DJDT will continue working with the SDAs to locate the missing items. If the items cannot be located, the SDA's will be required to resolve this issue in accordance with DJDT's property management guidelines.

Preparer's Signature: Harry Struempfle Phone Number: 751-4750

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-3.B. Subrecipient Audits and Monitoring of Findings

Federal Agency: Department of Agriculture and Department of Education
State Agency: Department of Elementary and Secondary Education (DESE)

CFDA Number	Program Name	Questioned Costs
10.550	Food Distribution	$0
10.553	School Breakfast Program	0
10.555	National School Lunch Program	0
84.010	Title I Grant to Local Educational Agencies	0
84.027	Special Education - Grants to States	0
84.048	Vocational Education - Basic Grants to States	0
93.575	Child Care and Development Block Grant	0

Thirty-one public school district audit reports were not reviewed by the Elementary and Secondary Education Act (ESEA), Title I program section, on a timely basis. Ten public school district audit reports were not reviewed by the Vocational Education program section on a timely basis.

Recommendation:

In the absence of an effective review by the School Finance Section, the Title I and Vocational Education program sections should review the public school district audit reports and resolve audit findings and questioned costs within six months after receipt of the audit reports as required by federal regulation.

Status of Finding:

The Department is attempting to timely review audit reports and resolve audit findings and questioned costs within six months after receipt of the audit reports as required by federal regulation.

Preparer's Signature: Audrey Beach Phone number: 751-4681

10/30/98

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-5. Cost Allocation Procedures

Federal Agency: Department of Education
State Agency: Department of Higher Education (DHE)

CFDA Number	Program Name	Questioned Costs
84.032	Federal Family Education Loans (FFEL)	$9,962

Two expenditures totaling $19,131 were charged entirely to the Federal Family Education Loans (FFEL) program. It appears these expenditures were joint costs and $9,565 should not have been charged to the FFEL program. Additionally, one expenditure was not allocated to the FFEL program according to the established allocation percentages and no documentation was retained for the deviation. As a result, $397 was overcharged to the FFEL program.

Recommendation:

The DHE resolve the questioned costs with the grantor agency. In addition, the DHE should ensure that all expenditures are properly allocated to the correct program and document the basis for any deviations from the established allocation percentages.

Status of Finding:

On August 17, 1998 the DHE received a letter from the U. S. Department of Education instructing the DHE to repay the $9,962 or appeal the finding and questioned costs within forty-five days. On September 29, 1998 the DHE appealed the finding and the related questioned costs. At the present time, the status of the appeal is unknown.

Status of Questioned Costs:

See above.

Preparer's Signature: Kay Ann Lecure Phone number: (573) 751-1786

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-6.A. Loan Servicer Contract

Federal Agency: Department of Education
State Agency: Department of Higher Education (DHE)

CFDA Number	Program Name	Questioned Costs
84.032	Federal Family Education Loans	$0

The loan servicer's deposit (lockbox) account contained an unidentified balance of approximately $53,000.

Recommendation:

The DHE resolve the unidentified monies in the lockbox account and ensure the balance in this account is kept to a minimum.

Status of Finding:

Corrective action was taken.

Preparer's Signature: Raye Ann Lecure Phone number: (573) 751-1786

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-9. Cooperative Agreement Compliance

Federal Agency: Department of Defense
State Agency: Department of Public Safety - Adjutant General

CFDA Number	Program Name	Questioned Costs
12.401	National Guard Military Operations and Maintenance Projects	$17,351

Refunds were not determined and remitted to the U.S. Treasury on a timely basis for unspent cooperative agreement advance payments.

Recommendation:

The Department of Public Safety - Adjutant General resolve the questioned costs with the grantor agency. In addition, the Department of Public Safety - Adjutant General should establish procedures to ensure the appropriate refund is determined for each cooperative agreement and remitted to the U.S. Treasury in a timely manner.

Status of Finding: Refund of FY's 95 and 96 appendices. The Director of Facilities manages three of the four appendices to the MCA that remain open. Our office (State Resources) in conjunction with the Facilities Division and the United State Property and Fiscal office are presently working to verify expenditures which occurred in federal FY 95 through these agreements. Revenues deposited to these agreements have been verified. However, because most of the records have been sent to the warehouse, this process is going to take longer than anticipated. The method of accounting for expenditures through the state system in FY's 95 and 96 did not accurately depict what had occurred during the federal fiscal year. Methods of accounting for expenditures and revenues have been revised to accommodate a federal as well as a state fiscal year. All other appendices have been closed for FY95.

All of the appendices to the master cooperative agreement concerning FY96 have been refunded/closed except for Telecommunications and ANG Security-St. Joseph. Sufficient information has not been received from the program managers to close these appendices.

Status of Questioned Costs:

The unpaid refund amounts for the cooperative agreements for which refunds were determined have been paid.

Preparer's Signature: Paul C. Martin Phone number: 526-9609

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-12.A. Questionable Assistance Payments

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
93.560	Family Support Payments to States - Assistance Payments	$ 9,197

Five non-resident clients received $15,328 in benefits resulting in questioned costs totaling $9,197.

Recommendation:

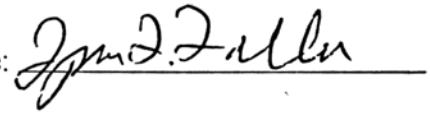
The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the five cases noted and determine if recoupment claims for inappropriate benefits should be initiated. The DFS should also consider possible enhancements in its fraud prevention and detection efforts.

Status of Finding:

Partially corrected. Claims have been established but no recovery of overpayments has occurred.

Status of Questioned Costs:

Since no recovery of overpayments has occurred, the questioned costs have not been returned to the grantor agency.

Preparer's Signature:  Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-12.B. Questionable Assistance Payments

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
93.560	Family Support Payments to States - Assistance Payments	$ 5,929

Nine clients who were ineligible as a result of receiving lottery prize or worker's compensation payments received $9,882 in benefits resulting in questioned costs totaling $5,929.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should review the cases noted above and recoup inappropriate assistance payments that were disbursed to ineligible clients. In addition, the DFS should establish adequate procedures to appropriately identify and respond to clients receiving lump sum income.

Status of Finding:

Partially corrected. Claims have been established on all cases which had overpayments, and $1,340 has been recovered through recoupment and other credits.

Status of Questioned Costs:

When the CARS system recovers overpayments, the amount recovered is netted against the current quarter's expenditures, thereby reducing the amount of questioned costs that remain outstanding.

Preparer's Signature: [signature] Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-13 Food Stamp Duplicate Issuances

Federal Agency: Department of Agriculture
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
10.551	Food Stamps	$0

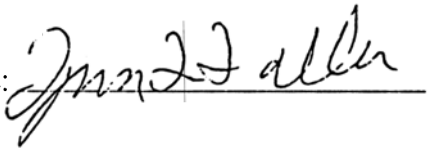
The local DFS offices did not take appropriate action upon notification of food stamp duplicate issuances for six of twenty-five (24 percent) cases reviewed.

Recommendation:

The DFS ensure the local DFS offices take timely action to investigate duplicate issuances, establish a Claims Accounting and Restitution System claim on all improper duplicate issuances, and report promptly to the Mail Issuance Unit.

Status of Finding

Partially corrected. Claims have been established for each of the six duplicate issuances. DFS county offices will continue to investigate duplicate issuances and establish claims on all improper duplicate issuances.

Preparer's Signature:  Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-14.A. Funds Held Outside the State Treasury

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
Various	Various	$0

State and federal funds were held outside the state treasury by local fiscal agents for two emergency family need programs.

Recommendation:

The DFS discontinue the unauthorized placement of state funds outside the state treasury and withdraw any funds the fiscal agents have on hand. The DFS should consider establishing alternative procedures, such as using local purchase orders, to meet these emergency family needs.

Status of Finding:

Corrective action has been taken

Preparer's Signature: _____ Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-14.B. Funds Held Outside the State Treasury

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
Various	Various	$0

Required documentation was not provided to fiscal agents and was not used to support the reimbursement requests submitted to the DFS.

Recommendation

The DFS ensure all expenditures and expenditure reimbursement requests are adequately documented and supported by appropriate documentation.

Status of Finding:

Corrective action has been taken

Preparer's Signature: _____ Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-15.A. Overpayments to Pharmacies

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$19,921

The DMS overpaid two drug claims to pharmacies totaling $33,169. The federal share of the overpayments, or $19,921, was questioned.

Recommendation:

The DMS resolved the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from pharmacies for overpayments. In addition, we recommend the DMS review claims paid prior to December 1, 1996, to determine if additional significant overpayments exist. The DMS should also verify that recently implemented controls to prevent these types to overpayments are operating properly.

Status of Finding:

Corrective action has been taken to return the appropriate questioned costs to the grantor agency for one claim, of two identified, determined to be overpaid. DMS continues to manually review and recover overpaid claims prior to 12/1/96 until automated controls are finalized.

Status of Questioned Costs:

The questioned costs have been resolved with the Federal grantor agency.

Preparer's Signature: _____ Phone number: _____

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-16. Third-Party Liability

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

The Third-Party Liability (TPL) Unit did not follow up on data matches of potential third-party resources in a timely manner. In addition, the TPL Unit did not follow up within a timely manner after the initial request for payment was made.

Recommendation:

The DMS follow up on information obtained from data matches in a timely manner. In addition, the DMS should ensure a timely follow up is performed after the initial request for payment from a third party is made.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: James P. Burns Phone number: 751-2170

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1995

95-17.C Cost Allocations and Expenditure Controls

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Budget and Finance (DBF)

CFDA Number	Program Name	Questioned Costs
Various	Various	$0

Adequate supporting documentation was not in the vendor files for five postage purchases.

Recommendation:

The DBF ensure that all expenditures have adequate supporting documentation.

Status of Finding

Corrective action has been taken.

Preparer's Signature: James P. Burns Phone number: 751-2170

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1995

95-20. Job Search Program

Federal Agency: Department of Agriculture
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number	Program Name	Questioned Costs
10.551	Food Stamps	$26,247

The state's job search program is operated by the Division of Employment Security under a contract with the DFS. Food stamp benefits were not reduced or terminated by DFS for twenty-three of forty-two (55 percent) cases tested for which the recipient did not comply with the requirements of the job search program to remain eligible to receive these benefits.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition the DFS should ensure caseworkers reduce or discontinue food stamp benefits and perform other follow-up procedures as necessary on noncompliance notices.

Status of Finding:

Corrective action has been taken

Status of Questioned Costs:

This finding has been discussed with the grantor agency and the grantor agency has expressed satisfaction with the corrective action taken and has made no further inquiry regarding these cases.

Preparer's Signature: [signature] Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1995

95-21.A. Assistance Benefits Provided to Inmates

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number	Program Name	Questioned Costs
93.778	Medical Assistance Program	$0

Medicaid assistance benefits were improperly issued for inmates in the custody of the Department of Corrections (DOC).

Recommendation:

The DMS work with DFS to investigate Medicaid assistance benefits improperly issued for inmates in the custody of the DOC and take appropriate corrective action. In addition, the DFS and DMS should investigate the remaining cases identified during the review, as well as, reviewing other time periods for additional inappropriately paid benefits.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: Denise Cross Phone number: 751-6922

AUDIT REPORT

THIRTY-FIFTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

TWO YEARS ENDED 1998 AND 1997

From The Office Of State Auditor
Claire McCaskill

Report No. 99-13
March 4, 1999

Office Of The
State Auditor Of Missouri
Claire McCaskill

FACT SHEET

Listed below is a summary of actions taken on prior recommendations made to the following seven municipal court divisions of Missouri's Thirty-Fifth Judicial Circuit:

Bernie, Dexter, Holcomb, Kennett, Malden, Puxico, Senath

Bernie: While this division complied with state law by sending the state court fees which go to the Crime Victims Compensation Fund, and partially implemented a record keeping system for bonds, the tracking of tickets and complaints and their final dispositions by the court still needs to be improved. (See pages 40 &41)

Dexter: This division followed the recommendations of past audits in tightening financial controls, however, the tracking of tickets and complaints and their final dispositions by the court still needs to be improved. (See pages 41, 42, & 43)

Holcomb: All prior recommendations were implemented regarding financial controls. The only area still requiring compliance is the assessment of court costs and those fees which by state law are to be sent to the Crime Victims Compensation Fund. (See pages 43 & 44)

Kennett: Financial controls were improved and a ticket log was developed, however records are not maintained to account for all complaints filed. Many prior recommendations had been acted upon, including the forwarding of conviction records to the state. Other recommendations still need continued development. (See pages 44, 45, & 46)

Malden: Most prior recommendations had either been implemented or acted upon. However, the ticket log maintained by the division did not account for all tickets issued. Continued development and work on prior and current recommendations will continue to tighten financial controls. (See pages 46, 47 & 48)

Puxico: Other than a recommendation that Crime Victims Compensation Fund fees generated through this division be sent to the state in a more timely manner, all financial control recommendations made in the prior audit, as well as court reporting recommendations have been put in place. (See pages 48 & 49)

Senath: Many recommendations which would safeguard the financial integrity of this court have yet to be implemented. A recommendation acted upon was a suggested requirement that defendants sign a payment agreement and a show cause order be issued for all persons not paying fines and costs immediately at court. While records are maintained for amounts due from defendants, adequate follow-up is not taken when defendants fail to pay. (See pages 49, 50, & 51)

Current recommendations for the above divisions can be found on pages 21-38.

Note: Nine other municipal divisions in this circuit are reported on separately. Those communities include: Arbyrd, Advance, Bell City, Bloomfield, Campbell, Cardwell, Clarkton, Dudley and Hornersville. The size of the circuit warranted the audit be split.

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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FINANCIAL SECTION

State Auditor’s Reports

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Presiding Judge
and
Municipal Judges
Thirty-Fifth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended June 30, 1998 and 1997, and April 30, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four through seven, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Thirty-Fifth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the city of Bernie Police Department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements

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beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Records accounting for the numerical sequence and ultimate disposition of each traffic ticket and complaint form issued by the city of Dexter Police Department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Records accounting for the numerical sequence and ultimate disposition of each complaint form issued by the city of Kennett Police Department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the city of Malden Police Department were not adequately maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1998 and 1997.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding four paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended June 30, 1998 and 1997, and April 30, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

We also had planned to audit the accompanying special-purpose financial statements of the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997. These special-purpose financial statements are the responsibility of the municipal divisions' management.

Internal controls and accounting records of the city of Puxico Municipal Division were inadequate. Prenumbered receipt slips were not issued for some monies received. Bonds posted by defendants were held and disbursed in cash by the municipal division. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1998 and 1997. In addition, we were unable to assure ourselves of the amount of cash bonds held in trust at June 30, 1998 and 1997.

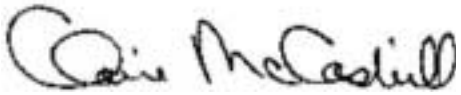
Internal controls and accounting records of the city of Senath Municipal Division were inadequate. Prenumbered receipt slips were not issued for some monies received, and receipts were not deposited intact. Also, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained. As a

result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1998 and 1997.

Because of the effects of the matters discussed in the preceding two paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statements of the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 22, 1998, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill

State Auditor

September 22, 1998

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Presiding Judge
and
Municipal Judges
Thirty-Fifth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended June 30, 1998 and 1997, and April 30, 1998 and 1997, and have issued our report thereon dated September 22, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Bernie, the city of Dexter, the city of Kennett, and the city of Malden for the years ended June 30, 1998 and 1997. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statements of the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated September 22, 1998. In that report we did not express an opinion on those special-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Thirty-Fifth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

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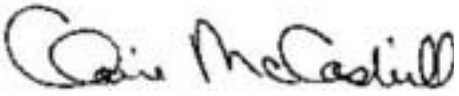
express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Thirty-Fifth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgement, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not
necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fifth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

September 22, 1998

Financial Statements

Exhibit A

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Bernie Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 17,789	14,918
Total Receipts	17,789	14,918
DISBURSEMENTS		
City treasury	14,723	15,155
State of Missouri (Note 3)	0	0
Refunds and other	1,782	1,810
Total Disbursements	16,505	16,965
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,284	-2,047
CASH, JULY 1	0	2,047
CASH, JUNE 30	$ 1,284	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Dexter Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 139,931	158,627
Total Receipts	139,931	158,627
DISBURSEMENTS		
City treasury	134,762	154,882
State of Missouri (Note 3)	0	0
Refunds and other	3,074	3,995
Total Disbursements	137,836	158,877
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,095	-250
CASH, JULY 1	423	673
CASH, JUNE 30	$ 2,518	423

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Kennett Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 98,001	92,222
Total Receipts	98,001	92,222
DISBURSEMENTS		
City treasury	82,369	81,241
State of Missouri (Note 3)	4,691	3,775
Refunds and other	7,511	8,469
Total Disbursements	94,571	93,485
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,430	-1,263
CASH, JULY 1	6,995	8,258
CASH, JUNE 30	$ 10,425	6,995

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Malden Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 132,423	155,071
Total Receipts	132,423	155,071
DISBURSEMENTS		
City treasury	124,861	147,916
State of Missouri (Note 3)	0	0
Refunds and other	7,848	8,475
Total Disbursements	132,709	156,391
RECEIPTS OVER (UNDER) DISBURSEMENTS	-286	-1,320
CASH, JULY 1	2,846	4,166
CASH, JUNE 30	$ 2,560	2,846

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

(UNAUDITED)

	City of Puxico Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 15,870	5,777
Total Receipts	15,870	5,777
DISBURSEMENTS		
City treasury	15,870	5,777
State of Missouri (Note 3)	0	0
Refunds and other (Note 4)	0	0
Total Disbursements	15,870	5,777
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0
CASH, JULY 1	0	0
CASH, JUNE 30	$ 0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

(UNAUDITED)

	City of Senath Year Ended June 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 17,579	11,523
Total Receipts	17,579	11,523
DISBURSEMENTS		
City treasury	15,893	9,204
State of Missouri (Note 3)	207	154
Refunds and other	1,186	1,405
Total Disbursements	17,286	10,763
RECEIPTS OVER (UNDER) DISBURSEMENTS	293	760
CASH, JULY 1	2,377	1,617
CASH, JUNE 30	$ 2,670	2,377

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	City of Holcomb Year Ended April 30,	
	1998	1997
RECEIPTS		
Fines, costs, bonds, and other	$ 3,438	1,105
Total Receipts	3,438	1,105
DISBURSEMENTS		
City treasury	2,732	922
State of Missouri (Note 3)	0	0
Refunds and other	105	0
Total Disbursements	2,837	922
RECEIPTS OVER (UNDER) DISBURSEMENTS	601	183
CASH, MAY 1	250	67
CASH, APRIL 30	$ 851	250

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the seven municipal divisions of the Thirty-Fifth Judicial Circuit of the state of Missouri. The remaining municipal divisions of the Thirty-Fifth Judicial Circuit are reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1998 and 1997, all bank account balances reported for the municipal divisions of the Thirty-Fifth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Kennett and the city of Senath. The city of Senath Municipal Division deposits Crime Victims' Compensation and Services to Victims surcharges into the city treasury and Peace Officer Standards and Training Commission fees into the municipal division's Law Enforcement Training account. Amounts remitted by the cities to the state are not included in the financial statements.

The municipal divisions of the city of Bernie, the city of Holcomb, the city of Kennett, the city of Malden, the city of Puxico, and the city of Senath did not assess the Independent Living Center Fee.

The city of Holcomb Municipal Division did not assess the Peace Officer Standards and Training Commission Fee.

4. City of Puxico

Bonds posted by defendants for the city of Puxico Municipal Division are held in cash by the court. The amounts held in cash at year-end could not be determined and therefore, are not included in the financial statements. In addition, bonds refunded to defendants could not be determined, and these amounts are not included in the financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997) of the Thirty-Fifth Judicial Circuit as of and for the years ended June 30, 1998 and 1997, and April 30, 1998 and 1997, and have issued our report thereon dated September 22, 1998. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Bernie, the city of Dexter, the city of Kennett, and the city of Malden for the years ended June 30, 1998 and 1997.

We also had planned to audit the special-purpose financial statements of the municipal divisions of the city of Puxico and the city of Senath as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated September 22, 1998. In that report we did not express an opinion on those special-purpose financial statements.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. City of Bernie Municipal Division

A. The Municipal Judge is an elected position held for a term of two years. The Court Clerk is appointed by the Mayor and approved by the City Council. The present Municipal Judge and Court Clerk are husband and wife. This situation results in a potential conflict of interest and weakens the accounting controls over the court transactions. The segregation of duties would be improved by having a municipal judge and court clerk who are not related.

B. A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has been formally established by court order pursuant to Section 479.260, RSMo 1994. However, this schedule of fines and costs has not been prominently posted at the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the

amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the TVB.

C. The municipal division allows defendants to pay fines and court costs over a period of time. The Court Clerk routinely prepares individual accounts receivable cards with balances due for the police department, because the police department receipts the majority of fine and court cost payments. During our review it was noted that the police department did not have accounts receivable cards for all individuals with balances due. In addition, the accounts receivable cards were not updated in a timely manner when payments were received.

Accurate listings of accounts receivable containing the amount owed on each case are necessary to provide information to the Municipal Judge and provide increased accountability over amounts due the division.

D. Neither the police department nor the municipal division maintains a log to account for traffic tickets assigned and issued and their ultimate disposition. In addition, a log of complaint forms issued, listing complaint number, date issued, date served, and officer is maintained; however, the log is incomplete. The log did not include the defendant's name, the offense, and the ultimate disposition of each complaint form.

Without a proper accounting for the numerical sequence and disposition of traffic tickets and complaint forms, the police department and the municipal division cannot be assured that all tickets and complaints issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket and complaint form should be maintained to ensure all tickets and complaints have been accounted for properly.

E. During our review, we noted the following concerns related to court dockets:

1) The Municipal Judge does not sign the court dockets after case dispositions are recorded. We noted that court cost and fines assessed did not agree with the amount authorized by the TVB schedule for eleven of thirty-four (32 percent) tickets tested. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

2) The Municipal Judge or the Prosecuting Attorney does not consistently initial or sign the case file to document their approval of an amendment or dismissal of a ticket. To ensure the proper disposition of all cases has been entered in the court records, the Municipal Judge or the Prosecuting Attorney should sign all amended and dismissed case files.

3) The final disposition of each case is not consistently documented in the court docket. The ultimate disposition of each case should be recorded on the

docket to ensure the proper disposition has been recorded in the court records.

Conditions similar to A, B, D, and E.l. were also noted in our prior report.

WE RECOMMEND the city of Bernie Municipal Division:

A. Review and discuss this situation with the Mayor and the City Council to determine the proper resolution of any conflict.

B. Prominently post the schedule of fines and costs at the TVB.

C. Ensure that the individual accounts receivable cards are complete and accurate.

D. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued.

E.1. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

2. Require the Municipal Judge's or the Prosecuting Attorney's signature on amended and dismissed cases.

3. Include the disposition of each case on the court docket.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. This situation has been discussed with Judge Swafford's superior Judge and he stated that since the Municipal Judge is elected and the Court Clerk is not hired by the Municipal Judge but is appointed by the Mayor and approved by the City Council that it is not a case of nepotism.

B. This schedule of fines has now been posted in the court room and also at the TVB.

C. The Court Clerk will be reviewing all accounts receivable cards on her Saturday court sessions to make sure all payments have been applied and that all records coincide with the Court Clerk's records.

D. A log for traffic tickets and complaint forms has been implemented. The Court Clerk and police department will be working together to keep the form up to date. All tickets are being logged on this form by the Court Clerk.

E.1. It has been implemented that the Municipal Judge will sign all docket pages as he reviews them. The amount of fines decided by the Municipal Judge has nothing to do with the Court Clerk. His decisions are left up to him.

2. The Municipal Judge and/or Prosecuting Attorney have implemented this and are now initialing, dating, and writing dismissed or the amended charge on each ticket.

3. The final disposition of the cases is not entered in the docket until such time that they are disposed of. This could possibly be an oversight on the part of the Court Clerk to enter them. The Court Clerk will try and be more efficient in the future.

2. City of Dexter Municipal Division

A. The duties of receiving, recording, and transmitting fine and court cost monies collected by the municipal division, as well as depositing, disbursing, and reconciling the bond account, are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted and deposited. In addition, there should be a documented review of the bank reconciliations.

B. Neither the police department nor the municipal division maintains a log to account for traffic tickets and complaint forms issued and their ultimate disposition.

Without a proper accounting for the numerical sequence and disposition of traffic tickets and complaint forms, the police department and the municipal division cannot be assured that all tickets and complaint forms issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket and complaint form should be maintained to ensure all tickets and complaints have been accounted for properly.

C. The Municipal Judge does not sign the court dockets after case dispositions are recorded. To ensure the disposition of all cases has been entered in the court records, the judge should sign the court dockets after reviewing to ensure their propriety.

Conditions similar to B and C were also noted in our prior report.

WE RECOMMEND the city of Dexter Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms issued.

C. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A. The City Collector will reconcile receipt slips to transmittals and the Municipal Judge will review the bank reconciliations.

B. Since September 1998, complaint forms are no longer used and all traffic tickets assigned and issued are entered into the computer.

C. This has been implemented.

3. City of Holcomb Municipal Division

A. The duties of receiving, recording, and depositing fine, court cost, and bond monies and disbursing bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. Instances were noted where the Crime Victim's Compensation (CVC) fees were inappropriately charged on dismissed cases. In addition, Peace Officer Standards and Training Commission (POSTC) fees were not assessed or collected in accordance with state law. Sections 595.045.1 and 590.140.1, RSMo Cumulative Supp. 1998, require these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

A similar condition was also noted in our prior report.

WE RECOMMEND the city of Holcomb Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Assess CVC and POSTC fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. We will have the CPA do the independent review as the city's monthly financial statements are compiled.

B. This has been implemented.

4. City of Kennett Municipal Division

A. The duties of receiving, recording, depositing, and reconciling fine, court cost, and bond monies and disbursing all monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. In addition, there should be a documented review of the bank reconciliations.

B. During our review, we noted the following concerns related to receipts:

1) The court's docket and accounting systems are maintained on a computer. The system provides weekly reports of collection activity. However, the Court Clerk does not reconcile this report to deposits. During our review, we noted discrepancies between the method of payment posted on the weekly receipts report and the deposit slip. To properly account for receipts and to reduce the risk of loss or misuse of funds, reconciliations between the weekly reports and deposits should be performed, documented, and retained.

2) Receipts are not deposited on a timely basis. Deposits of fine and court cost monies to the municipal division bank account are made approximately once a week and the average deposit amount was about $1,500. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited daily or when accumulated receipts exceed $100.

C. A monthly listing of open items (liabilities) is prepared but the listing is not consistently reconciled to the court's cash balance. Monthly listings of open items should be reconciled to monies held in trust by the court to ensure proper

accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities.

D. Neither the police department nor the municipal division maintains a log to account for complaint forms assigned and issued, and their ultimate disposition.

Without a proper accounting for the numerical sequence and disposition of complaint forms, the police department and municipal division cannot be assured that all complaint forms issued were properly submitted to the court. A record of the ultimate disposition of each complaint form should be maintained to ensure all tickets have been accounted for properly.

Conditions similar to B and D were also noted in our prior report.

WE RECOMMEND the city of Kennett Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B.1. Perform, document, and retain weekly reconciliations between the weekly reports and bank deposits.

2. Deposit receipts daily or when accumulated receipts exceed $100.

C. Reconcile monthly listings of open items to monies held in trust by the court.

D. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all complaint forms assigned and issued.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. The Municipal Judge will provide an independent review of the court records each month.

B.1. Since September 1998, the Court Clerk has reconciled the weekly reports to the deposit slips.

2. This will be done daily.

C. Since September 1998, the open items listings are reconciled to the book balance.

D. Since September 1998, the police department has no longer used complaint forms. All offenses are now recorded on a traffic ticket.

5. City of Malden Municipal Division

A. The duties of receiving, recording, and transmitting fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted.

B. The police department accepts cash, checks, and money orders for the payment of fines, court costs, and bonds when the Court Clerk is not available. The police department does not record the method of payment on receipt slips. To ensure receipts are transmitted intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips issued should be reconciled to the composition of transmittals.

C. Neither the police department nor the municipal division maintains adequate records to account for traffic tickets issued and their ultimate disposition. A log of traffic tickets issued listing the ticket number, offense, defendant's name, date, and officer is maintained; however, the listing was incomplete. There were numerous tickets not listed. Ticket accountability has improved since December 1996.

   Without a proper accounting for the numerical sequence and disposition of traffic tickets, the police department and municipal division cannot be assured that all tickets issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket should be maintained to ensure all tickets have been accounted for properly.

D. During our review, we noted the following concerns related to the municipal division's TVB:

   1) Although the municipal division operates a TVB that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

   2) A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has been formally established by court order pursuant to Section 479.260, RSMo 1994. However, this schedule of fines and costs has not been prominently posted at the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the TVB.

E. Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. The Court Clerk prepared an open items listing as of July 22, 1998. The balance in the city's bond account exceeded the open items listing by $802. This difference may be attributable to interest earned on the account.

Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. To facilitate this reconciliation, the amount of interest earnings remaining in the bond account will need to be calculated.

F. Instances were noted where the Crime Victim's Compensation (CVC) and Law Enforcement Training (LET) fees were inappropriately charged on dismissed cases. Sections 595.045.1 and 590.140.1, RSMo Cumulative Supp. 1998, require these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

G. The Municipal Judge does not sign the court dockets after case dispositions are recorded. We noted that court costs and fines assessed did not agree with the amounts authorized by the TVB schedule for thirteen of thirty-five (37 percent) tickets tested. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

Conditions similar to B through G were also noted in our prior report.

WE RECOMMEND the city of Malden Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B. Ensure that the method of payment is recorded on all police department receipt slips issued, and reconcile the composition of receipt slips issued to the composition of monies transmitted.

C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets issued.

D.1. Prepare a court order authorizing the establishment of a TVB.

2. Prominently post the schedule of fines and costs at the TVB.

E. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the city.

F. Assess CVC and LET fees in accordance with state law.

G. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. The City Clerk will reconcile original receipts to the daily transmittal.

B. We have discussed this with the Police Chief and this problem is being corrected.

C. We will speak with the Police Chief about this problem.

D.1. A court order was issued August 11, 1998 authorizing the establishment of a TVB.

2. A TVB schedule has been posted.

E. The Court Clerk now prepares an open items listing which is given to the City Clerk who reconciles the listing to the bond account balance.

F. This has been implemented. CVC and LET are no longer charged on dismissed cases.

G. This has been implemented. All court dockets are now signed by the Municipal Judge.

6. City of Puxico Municipal Division

A. The duties of receiving, recording, and transmitting fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted.

B. During our review, we noted the following concerns related to receipts:

1) The Court Clerk issues receipts from two separate receipt books. One receipt book is used for individuals paying the full amount of the fine and court costs, while the other receipt book is used for individuals making partial payments to the municipal division. Receipt slips issued for the receipt of partial payments of fines and court costs are not prenumbered. In addition, receipt slips issued to individuals paying the full amount of the fine and court costs indicate the court date instead of the actual date of receipt.

   To adequately account for receipts and to ensure all receipts are deposited to the city treasury, prenumbered receipt slips, dated with the actual date of collection, should be issued for all monies received, and the numerical sequence should be accounted for properly.

2) The Court Clerk accepts cash, checks, and money orders for the payment of fines and court costs. The Court Clerk does not record the method of payment on receipt slips. To ensure receipts are transmitted intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips issued should be reconciled to the composition of transmittals.

3) Cash bond refunds are made out of court receipts, thus court monies are not transmitted intact. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be transmitted intact to the city.

C. During our review, we noted the following concerns related to bonds:

1) Cash bonds are posted at the Stoddard County Sheriff's department. The Sheriff's department disburses the bond monies by check to the Court Clerk. The Court Clerk does not issue receipt slips for these bond monies. Prenumbered receipt slips should be issued for all monies received.

2) The Court Clerk does not maintain a bond ledger and does not prepare and reconcile a monthly listing of open items (liabilities) to a cash balance. A bond ledger indicating the related case, date and amount of receipt, and date of disbursement is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

3) Court receipts in the form of cash bonds are not initially recorded or deposited into a bank account but are held by the Court Clerk until disposition of the case. After the case is disposed, the bond monies are deposited into the city treasury as fine and court costs or refunded to the defendant in cash.

   Bond monies should be deposited when received to provide better accountability over these monies and reduce the risk of loss or misuse of the funds. In addition, all refunds should be made by check.

D. Although the municipal division operates a TVB that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.
Section 479.050 RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense.

E. Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees collected by the municipal division are deposited into the city treasury. The city has assumed the responsibility for remitting the portions of the CVC and POSTC fees due to the state. We noted that one payment made to the state in December 1997 included CVC fees collected from July 1996 to November 1997. During 1998, CVC fees were remitted to the state approximately every two months. In addition, POSTC collections have never been remitted to the state. Section 595.045.5, RSMo Cumulative Supp. 1998, requires 95 percent of the CVC fee to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.

A similar condition was also noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Puxico Municipal Division as of and for the years ended June 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Puxico Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B.1. Issue prenumbered receipt slips for all monies received and indicate the date of actual receipt.

2. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of transmittals.

3. Transmit all monies intact.

C.1. Issue prenumbered receipt slips for all bond monies received.

2. Maintain a bond ledger, prepare monthly listings of open items, and reconcile the listing to monies held in trust.

3. Ensure cash bond monies are recorded and deposited when received and all disbursements are made by check.

D. Prepare a court order authorizing the establishment of a TVB.

E. Request the city to properly remit CVC and POSTC fees to the state in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. We will have the City Treasurer reconcile receipt slips to transmittals.

B&
C.1. These recommendations have been implemented.

C.2. We now have a bond ledger and we will prepare an open items listing and compare the listing to monies held by the city.

3. This will be implemented.

D. Effective January 1999, a court order has been issued to establish a TVB.

E. We will work with the City Clerk to implement this recommendation.

7. City of Senath Municipal Division

A. The duties of receiving, recording, and depositing fine, court cost, and bond monies and disbursing bond monies and fees collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. In addition, there should be a documented review of the bank reconciliations.

B. During our review, we noted the following concerns related to receipts:

1) The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The Court Clerk does not issue receipt slips for bond monies received. In addition, the Court Clerk does not record the method of payment on the receipt slips. To provide assurance all monies received have been properly deposited, a receipt slip noting the method of

payment should be issued for all monies received, and the composition of monies received should be reconciled to the composition of bank deposits.

2) The Municipal Judge sometimes orders defendants to make contributions to the Park Board or the Fire Board. Contributions received are receipted in the city's receipt book and are not recorded as court receipts. These monies are held in cash and periodically disbursed to the appropriate board.
Contributions should be recorded by the municipal division and deposited when received to provide better accountability over these monies and reduce the risk of loss or misuse of the funds. In addition, to ensure all receipts are accounted for properly, receipts should be deposited intact and all disbursements should be made by check.

3) Receipts are not deposited on a timely basis. Fine and court cost monies are deposited to the city treasury approximately once per week and LET and POSTC monies are deposited to the LET account approximately once per month.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited intact daily or when accumulated receipts exceed $100.

4) Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

C. Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. The Court Clerk prepared an open items listing as of June 30, 1998. The balance in the municipal division's bond account exceeded the open items listing by $105.

Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

D. During our review, we noted the following concerns related to the municipal division's TVB:

1) Although the municipal division operates a TVB that allows certain offenses to be paid prior to the court date, a court order has not been issued to formally establish the TVB.

2) A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has been

formally established pursuant to Section 479.260, RSMo 1994. However, this schedule of fines and costs has not been prominently posted at the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the TVB.

E. The municipal division does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge and filed with the City Clerk.

F. Although bank reconciliations are performed for the municipal division's bank accounts, they are not documented. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis. In addition, all bank reconciliations should be documented and all differences fully investigated and explained.

G. Numerous bond forms and bond bank account statements could not be located. As a result, it was not possible to account for all bonds received by the municipal division.

Supreme Court Administrative Rule No. 8 requires that all financial records be maintained for five years or upon completion of an audit. Retention of applicable records is necessary to properly account for all municipal division monies received.

H. Neither the police department nor the municipal division maintains a log to account for traffic tickets assigned and issued and their ultimate disposition.

Without a proper accounting for the numerical sequence and disposition of traffic tickets, the police department and municipal division cannot be assured that all tickets issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket should be maintained to ensure all tickets have been accounted for properly.

I. The municipal division allows defendants to pay fines and court costs over a period of time. The Court Clerk has procedures to monitor these cases and provide information to the Municipal Judge. However, we noted several instances where these procedures were not consistently applied and proper follow-up action was not taken.

Consistent follow-up action is necessary to provide information to the Municipal Judge and provide increased accountability over amounts due the division.

J. During our review, we noted the following concerns related to fees:

1) LET and POSTC fees collected by the court are deposited and retained in a bank account under the control of the Court Clerk. The Court Clerk remits POSTC fees to the state approximately every three months. Section 590.140.1, RSMo, Cumulative Supp. 1998, requires LET fees to be transmitted to the city monthly. POSTC fees should also be disbursed monthly to the state.

2) Instances were noted where the Crime Victim's Compensation (CVC), LET, and POSTC fees were inappropriately charged on dismissed cases. Sections 595.045.1 and 590.140.1, RSMo Cumulative Supp. 1998, require these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

K. The Municipal Judge does not sign the court dockets after case dispositions are recorded. We noted that court costs and fines assessed did not agree with the amount authorized by the TVB schedule for seven of thirty-eight (18 percent) tickets tested. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

Conditions similar to B.1., B.4., C, D.1., H, I, and J.1. were also noted in our prior report.

Because of the problems noted above, we were unable to express an opinion on the financial statements of the city of Senath Municipal Division as of and for the years ended June 30, 1998 and 1997. These deficiencies are serious and should be corrected immediately.

WE RECOMMEND the city of Senath Municipal Division:

A. Establish a documented review of municipal division records by an independent person.

B.1. Ensure that receipt slips are issued for all monies received and the method of payment is recorded on all receipt slips.

2. Record and deposit all receipts and make all disbursements by check.

3. Deposit all monies intact daily or when accumulated receipts exceed $100.

4. Restrictively endorse all checks and money order immediately upon receipt.

C. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the court.

D.1. Prepare a court order authorizing the establishment of a TVB.

2. Prominently post the schedule of fines and costs at the TVB.

E. Prepare monthly reports of court actions and file these with the city in accordance with state law.

F. Reconcile the bond checking account monthly and maintain documentation of the reconciliations.

G. Ensure all municipal division financial records are appropriately retained.

H. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.

I. Ensure that follow-up efforts are continually applied to improve the possibility of collection.

J.1. Turn over accumulated LET monies to the city and distribute future LET and POSTC fees to the city monthly. In addition, work with the city to ensure that POSTC fees are disbursed to the state monthly.

2. Assess CVC, LET and POSTC fees in accordance with state law.

K. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. We will discuss ways to implement this recommendation.

B.1. The Court Clerk will issue receipt slips for bond monies. In addition, the Court Clerk has begun indicating the method of payment on all receipt slips.

B. 2. & 4. These recommendations have been implemented.

3. The Court Clerk now deposits all court monies into the general fund approximately once a week. She will try to deposit when receipts exceed $100.

C. *The Court Clerk now prepares an open items listing and reconciles it to the cash balance. She is in the process of sending the unreconciled difference to the state's unclaimed property section.*

D,F, G&H. *These recommendations will be implemented.*

E. *We will file a copy of the court docket with the city monthly.*

I. *Follow-up efforts are being taken.*

J.1. *The LET account has been turned over to the city and the City Clerk is notified monthly of the amounts to disburse to the state for CVC and POSTC.*

2. *This has been implemented.*

K. *The current Municipal Judge does sign the court dockets.*

This report is intended for the information of the management of the various municipal divisions of the Thirty-Fifth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by seven of the municipal divisions of the Thirty-Fifth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the years ended 1993, 1992, and 1991. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Bernie Municipal Division

A.1. Receipts were not placed in a secure location until transmitted to the city.

2. Checks and money orders were not restrictively endorsed until transmitted to the city.

3. Receipt slips did not consistently indicate the method of payment.

B. A bond ledger was not maintained and a monthly listing of open items (liabilities) was not prepared.

C. Adequate records were not maintained to document the disposition of all complaint forms.

D. The Municipal Judge did not sign the docket after dispositions were recorded.

E. The Municipal Judge and Court Clerk were husband and wife.

F. The Municipal Judge had not issued a court order to formally establish the TVB, and the schedule of fines and costs had not been posted.

G. The city remitted the state's portion of CVC fees to the state only once per quarter.

Recommendation:

The city of Bernie Municipal Division:

A.1. Place receipts in a secure location until they are transmitted to the city.

2. Restrictively endorse all checks and money orders immediately upon receipt.

3. Indicate the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to transmittals.

B. Maintain a bond ledger, prepare monthly listings of open items, and reconcile this listing to monies held in trust.

C. Work with the police department to ensure records are maintained to account for the disposition of all complaints filed with the department.

D. Require the judge's signature on the court dockets.

E. Review and discuss this situation with the Mayor and the City Council to determine the proper resolution of any conflict.

F. Issue a court order to formally establish the TVB and post a schedule of fines and costs at the TVB.

G. Remit CVC fees in accordance with state law.

Status:

A.1, A.3
F&G. Implemented.

A.2. Not implemented; however, checks and money orders are kept in a secured lock box until they are endorsed and transmitted to the city. While not repeated in the current MAR, the municipal division should still consider implementing this recommendation.

B. Partially implemented. Effective August 1998, the municipal division established a bond ledger and began preparing monthly open items listings; however, the city does not maintain records of bonds deposited, disbursed, and held in its general account and therefore, the municipal division cannot reconcile the open items listing to monies held in trust by the city. While not repeated in the current MAR, the municipal division should still consider working with the city to implement this recommendation.

C-E. Not implemented. See MAR No. 1.

2. City of Dexter Municipal Division

A.1. Checks and money orders were not restrictively endorsed until transmitted to the city.

2. Receipts were not transmitted on a timely basis.

3. The Court Clerk issued receipt slips for monies transmitted by the police department but copies of the receipt slips were not provided to the police department.

B.1. Monthly listings of open items (liabilities) were not prepared.

2. The numerical sequence of bond forms were not accounted for adequately and some bond transactions were not entered in the court's bond ledger.

C. Adequate records were not maintained to account for all traffic tickets issued by the police department.

D. Complaint forms issued by the police department were not prenumbered and a log was not maintained to track the issuance and disposition of complaints.

E. The Court Clerk was covered by the city employee blanket bond. However, the amount of the bond was not sufficient to protect court monies held in cash and in the bond account.

F. The Municipal Judge had not issued a court order to formally establish the TVB, and the schedule of fines and costs was not posted.

G. The Municipal Judge did not sign the docket after dispositions were recorded.

H. The court did not file a monthly report with the city of all cases heard in court.

Recommendation:

The city of Dexter Municipal Division:

A.1. Restrictively endorse all checks and money orders immediately upon receipt.

2. Transmit all receipts to the city daily or when accumulated receipts exceed $100.

3. Issue receipt slips or other documentation to the police department for all monies transmitted to the court.

B.1. Prepare monthly listings of open items and reconcile this listing to monies held in trust.

2. Work with the police department to ensure voided bond forms and bond forms used by outside agencies are retained and recorded in the court's bond ledger.

C. Work with the police department to ensure ticket books are issued in order, records are maintained to account for all tickets issued, and that all copies of voided tickets

are retained by the department. A system should also be developed to account for the ultimate disposition of all traffic tickets.

D. Work with the police department to ensure complaint forms are prenumbered and records are maintained to account for the numerical sequence and disposition of all complaints filed.

E. Request the city to obtain adequate bond coverage for the Court Clerk.

F. Issue a court order to formally establish the TVB and post a schedule of fines and costs at the TVB.

G. Require the judge's signature on the court dockets.

H. Prepare monthly reports of court actions and file these in accordance with state law.

Status:

A.1, A.3,
B.1, B.2,
E, F,
& H. Implemented.

A.2. Not implemented; however, receipts are transmitted twice a week with the majority of receipts collected the day of court and transmitted to the city the following day. While not repeated in the current MAR, the municipal division should still consider implementing this recommendation.

C. Partially implemented. Ticket books are now issued in order; however, records are not maintained to account for tickets issued and their ultimate disposition. See MAR No. 2.

D. Partially implemented. Complaint forms are now prenumbered; however, records are not maintained to account for complaint forms issued and their ultimate disposition. See MAR No. 2.

G. Not implemented. See MAR No. 2.

3. City of Holcomb Municipal Division

A.1. Receipt slips did not indicate the method of payment.

2. Checks and money orders were not restrictively endorsed until deposited.

B. Adequate records were not maintained to account for the numerical sequence of tickets assigned to officers and issued to defendants. In addition, records were not kept indicating the ultimate disposition of the traffic tickets issued.

C. Court costs and CVC fees were not assessed in accordance with state law.

D. The Municipal Judge had not issued a court order to formally establish the TVB, and the schedule of fines and costs had not been posted.

E. Monthly reports of all cases heard in court were not filed with the city.

Recommendation:

The city of Holcomb Municipal Division:

A.1. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.

2. Restrictively endorse all checks and money orders immediately upon receipt.

B. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets issued. A system should also be developed to account for the ultimate disposition of all traffic tickets.

C. Assess court costs and CVC fees in accordance with state law.

D. Issue a court order to formally establish the TVB and post a schedule of fines and court costs at the TVB.

E. Prepare monthly reports of court actions and file these in accordance with state law.

Status:

A,B,
D&E. Implemented.

C. Not implemented. See MAR No. 3.

4. City of Kennett Municipal Division

A. Adequate records were not maintained to account for traffic tickets assigned, issued and their ultimate disposition.

B. Complaint forms were not prenumbered, and a log was not maintained to track the issuance and disposition of these complaints.

C. Accounts receivable records were not maintained to document total amounts due from defendants. The court did not have procedures to maximize collections of amounts due to the court.

D. Receipts were not deposited in a timely manner.

E. Monthly collection reports were not reconciled to deposits.

F.1. The Court Clerk relied on the monthly collection reports to provide totals of CVC collected. The monthly reports did not include all receipts and, as a result, the court could not be assured that the state's portion of CVC fees collected had been properly remitted to the state.

2. From August 1992 through March 1993, the court disbursed 80 percent of CVC fees to the state instead of the required 95 percent. As a result, it appeared the court owed the state approximately $467.

G. A schedule of fines and costs had not been posted.

H. The court did not file with the city a monthly report of all cases heard in court.

I. Records of convictions on traffic ticket offenses were not always forwarded to the MSHP in a timely manner.

Recommendation:

The city of Kennett Municipal Division:

A. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets issued. A system should also be developed to account for the ultimate disposition of all traffic tickets.

B. Work with the police department to ensure complaint forms are prenumbered and records are maintained to account for the numerical sequence and disposition of all complaints filed.

C. Review procedures for collections of amounts due to the court and improve the utilization of show cause orders and warrants in collection efforts.

D. Deposit all receipts daily or when accumulated receipts exceed $100.

E. Perform, document, and retain monthly reconciliations between the monthly reports and bank deposits.

F. Identify receipts not included on the monthly reports, determine if CVC was collected on those receipts, and remit those and future CVC fees to the state in accordance with state law.

G. Post a schedule of fines and costs at the TVB.

H. Prepare monthly reports of court actions and file these in accordance with state law.

I. Forward records of convictions on traffic offenses to the MSHP as required by state law and document the transaction.

Status:

A. Partially implemented. A traffic ticket log is maintained that accounts for the numerical sequence of all tickets issued; however, the log does not include the ultimate disposition of all traffic tickets issued. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

B. Partially implemented. Complaint forms are prenumbered; however, records are not maintained to account for the numerical sequence and disposition of all complaints filed. See MAR No. 4.

C,G, & I. Implemented.

D&E. Not implemented. See MAR No. 4.

F. Partially implemented. CVC fees are now collected and remitted in accordance with state law; however, CVC fees identified as unpaid, in the amount of $467, during the prior audit have not been remitted to the state. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

H. Partially implemented. Monthly reports are now filed with the City Clerk; however, they do not include applications for trial de novo and committed cases. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

5. City of Malden Municipal Division

A.1. Receipts were not transmitted in a timely manner.

2. Voided receipts were not properly mutilated and retained in the police department receipt book.

3. Receipt slips did not indicate the method of payment.

B. A bond ledger was not maintained and monthly listings of open items (liabilities) were not prepared.

C. There were no established procedures to pursue the collection of accounts receivable if the individuals did not make payments.

D. Summons forms issued by the police department were not prenumbered and a summons log was not maintained to track the issuance and disposition of those summonses.

E. Adequate records were not maintained to account for all traffic tickets issued by the police department.

F.1. CVC and LET fees were not assessed in accordance with state law.

2. CVC fees collected were not disbursed in accordance with state law.

G. The Municipal Judge did not consistently sign the docket after dispositions were recorded.

H. Records of convictions on traffic offenses were not consistently forwarded to the MSHP.

I. The Municipal Judge had not issued a court order to formally establish the TVB, and the schedule of fines and costs had not been posted.

Recommendation:

The city of Malden Municipal Division:

A.1. Transmit all receipts to the city daily or when accumulated receipts exceed $100.

2. Work with the police department to ensure that voided receipt slips are properly mutilated and all copies are retained in the receipt book.

3. Indicate the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to transmittals.

B. Maintain a bond ledger, prepare monthly listings of open items, and reconcile this listing to monies held in trust.

C. Establish procedures to maximize the collection of fines and court costs owed to the court.

D. Work with the police department to ensure summons forms are prenumbered and records are maintained to account for the numerical sequence and disposition of all summonses issued.

E. Work with the police department to ensure records are maintained to account for all tickets issued and that all copies of voided tickets are retained by the department. A system should also be developed to account for the ultimate disposition of all traffic tickets.

F.1. Assess the CVC and LET fees in accordance with state law.

2. Remit the state portion of CVC fees to the DOR in accordance with state law.

G. Require the judge's signature on the court dockets.

H. Forward records of convictions on traffic offenses to the MSHP as required by state law.

I. Issue a court order to establish the TVB and post a schedule of fines and costs at the TVB.

Status:

A.1,A.2,
C, F.2,
& H. Implemented.

A.3. Partially implemented. The Court Clerk indicates the method of payment on each receipt slip issued; however, the police department does not record the method of payment on receipt slips they issue for payment of fines, court costs and bonds. See MAR No. 5.

B. Partially implemented. A bond ledger is maintained; however, an open items listing is not prepared and reconciled to monies held in trust. See MAR No. 5.

D. The police department no longer uses summons forms. Uniform Complaint and Summons (UCS) tickets are issued for all offenses.

E. Partially implemented. A ticket log is maintained to account for all traffic tickets issued; however, the log is not complete and does not include the ultimate disposition of all traffic tickets. See MAR No. 5.

F.1.,
G&I. Not implemented. See MAR No. 5.

6. City of Puxico Municipal Division

A. There were no established procedures to pursue the collection of accounts receivable.

B.1. CVC and LET fees were collected only on moving traffic violations, and were not collected on city ordinance violations.

2. CVC fees collected by the court were not remitted to the state in a timely manner.

C. The Municipal Judge did not include all cases in his official court docket.

D. Records of convictions on traffic offenses were not forwarded to the MSHP until the fines and costs were paid in full.

Recommendation:

The city of Puxico Municipal Division:

A. Establish procedures to maximize the collection of fines and court costs owed to the court.

B.1. Assess the CVC and LET fees in accordance with state law.

2. Request the City Clerk to remit the $220 and any unpaid and future CVC fees to the state in accordance with state law.

C. Include all cases in the court docket.

D. Forward records of convictions on traffic offenses to the MSHP as required by state law.

Status:

A, B.1,
C&D. Implemented.

B.2. Not Implemented. See MAR No. 6.

7. City of Senath Municipal Division

A.1. Receipt slips did not indicate the method of payment.

2. Checks and money orders were not restrictively endorsed until transmitted to the city.

B. Monthly listings of open items (liabilities) were not prepared.

C. Adequate records were not maintained to account for tickets assigned to officers and issued to defendants. In addition, records were not maintained indicating the ultimate disposition of the traffic tickets issued.

D.1. Defendants were not required to sign a payment agreement nor were show cause orders issued for defendants not paying their fine and costs.

2. Adequate records were not maintained to document amounts due from defendants.

E. The traffic ticket number was not recorded in the court docket or on the case file folder. In addition, bonds or payments received were not recorded in the court docket or in the case file.

F. LET fees collected by the court were deposited and retained in a bank account under the control of the Court Clerk.

G. The Municipal Judge had not issued a court order to formally establish the TVB.

Recommendation:

The city of Senath Municipal Division:

A.1. Indicate the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to transmittals.

2. Restrictively endorse all checks and money orders immediately upon receipt.

B. Prepare a monthly listing of open items and reconcile this listing to monies held in trust.

C. Work with the police department to ensure records are maintained to account for the numerical sequence of tickets assigned and issued. A system should also be developed to account for the ultimate disposition of all traffic tickets.

D.1. Require defendants sign a payment agreement and issue show cause orders for all persons not paying fines and costs immediately at court.

2. Maintain detailed records of amounts due from defendants.

E. Record the traffic ticket number in the court docket and on the case file folder and post the amount and dates of payments in the court docket and/or the case file.

F. Close the court's LET bank account and transmit LET fees to the city treasury at least monthly.

G. Issue a court order to establish the TVB.

Status:

A-C, &G. Not implemented. See MAR No. 7.

D.1 & E. Implemented.

D.2. Partially implemented. Records are maintained for amounts due from defendants; however, adequate follow-up is not taken when defendants fail to pay. See MAR No. 7.

F. Not implemented. The account was not closed nor were payments made timely. See MAR No. 7.

STATISTICAL SECTION

History, Organization, and
Statistical Information

THIRTY-FIFTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organization

The Thirty-Fifth Judicial Circuit is composed of Dunklin and Stoddard counties. The Honorable Stephen R. Sharp serves as Presiding Judge. This report includes seven of the sixteen municipal divisions within the Thirty-Fifth Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Bernie

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The police department collects fine, court cost, and bond monies when the Court Clerk is not available and places the monies in a locked box. The Court Clerk retrieves these monies from the locked box approximately twice a week. Fines, court costs, and bond monies collected are transmitted by the Court Clerk approximately twice a week to the City Clerk for deposit into the city treasury. Bond monies are held in the city treasury pending disposition. Court is held twice a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Norman Swafford
Court Clerk	Debra Swafford

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	335	138

2. City of Dexter

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The police department collects fine, court cost, and bond monies when the Court Clerk is not available. The police department transmits collections to the Court Clerk daily. Fines and court costs collected are transmitted by the Court Clerk approximately twice a week to the City Collector for deposit into the city treasury. Bond monies are deposited into a municipal division bank account pending disposition. Court is held once a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Lawrence E. Wanner
Court Clerk	JoAnn Dunn

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	910	1,344

3. City of Holcomb

Organization

The City Collector serves as Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The police department collects fine, court cost, and bond monies when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. Fines and court costs collected are deposited directly into the city treasury daily. Bond monies are deposited into a municipal division bank account pending disposition. Court is held once a month, as necessary. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	Inga Ladd

City Collector/Court Clerk	Delois Casper

Caseload Information

	Year Ended April 30,	
	1998	1997
Number of cases filed	48	12

4. City of Kennett

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The police department collects fine, court cost, and bond monies when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. A municipal division bank account is maintained for the deposit of fines, court costs, and bonds. Fines and court costs are disbursed by check to the city treasury and state on a monthly basis. Bonds remain in the municipal division bank account pending disposition. Court is held once a week. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	J. Michael Mowrer
Court Clerk	Betty Brumley

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	1,513	1,341

5. City of Malden

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The police department collects fine, court cost, and bond monies when the Court Clerk is not available. The police department transmits collections to the Court Clerk daily. Fines, court costs, and bond monies collected are transmitted by the Court Clerk daily to the City Clerk for deposit into the city treasury. Bond monies are held in the city treasury pending disposition. Court is held twice a month. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and court costs at times other than during court.

Personnel

Municipal Judge	Phillip Santie
Court Clerk	Debra Brown

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	963	1,333

6. City of Puxico

Organization

The City Collector serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The police department collects fines and court costs when the Court Clerk is not available. The police department transmits collections to the Court Clerk as received. Fines and court costs collected are transmitted by the Court Clerk monthly to the City Treasurer for deposit into the city treasury. Bond monies are held by the municipal division pending disposition. Court is held once a month. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and court costs at times other than during court.

Personnel

Municipal Judge	David DeVaughn
City Collector/Court Clerk	Patty Cooper

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	180	70

7. City of Senath

Organization

The City Collector serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Two municipal division bank accounts are maintained, one for bonds and one for Law Enforcement Training (LET) and Peace Officer Standards and Training Commission (POSTC) fees. Fines and court costs collected are deposited directly into the city treasury weekly. Bond deposits remain in the municipal

division account pending court disposition. LET fees are held in the municipal division account until disbursements are requested. POSTC fees are disbursed by check to the state approximately every three months. Court is held twice a month. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and court costs at times other than during court.

Personnel

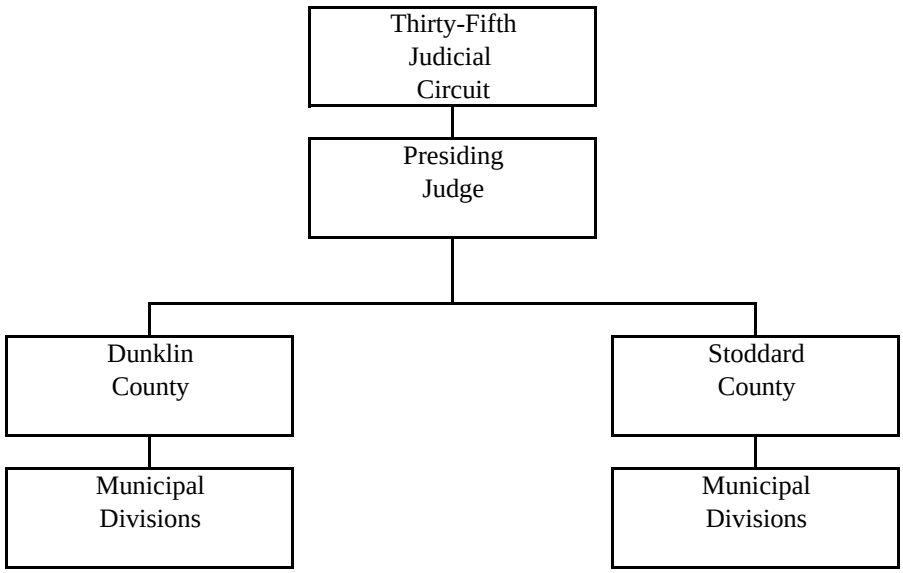
Municipal Judge*	Phillip Britt
City Collector/Court Clerk	Kathy Morgan

* W. Gene Davis served as Municipal Judge prior to May 1997.

Caseload Information

	Year Ended June 30,	
	1998	1997
Number of cases filed	291	181

THIRTY-FIFTH JUDICIAL CIRCUIT
ORGANIZATION CHART



* Reported on separately.

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OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

REVIEW OF ARTICLE X
SECTIONS 16 THROUGH 24
CONSTITUTION OF MISSOURI

YEAR ENDED JUNE 30, 1997

MARGARET KELLY, CPA

Report No. 99-12
January 11, 1999

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

Honorable Mel Carnahan, Governor
and
Members of the General Assembly
and
Richard A. Hanson, Commissioner
Office of Administration
Jefferson City, Missouri 65102

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 1997, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 1996. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The purpose of this review include:

1. Evaluating the formula to calculate the state's revenue limit.

2. Determining the specific items included in total state revenues.

3. Verifying the accuracy of the revenue limit computation and comparing that limit to total state revenues.

4. Reviewing the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we held discussions with personnel of the Office of Administration, Division of Budget and Planning, inspected relevant records and reports compiled by that office, and reviewed reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the following Exhibits and Schedules are fairly stated in all material respects.

Our review was limited to the specific matters described earlier and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The following Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, Constitution of Missouri.

Margaret Kelly, CPA
State Auditor

January 8, 1999

EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 1997, 1996, 1995, 1994, and 1993. The calculations for years prior to 1997 have been changed to comply with a Supreme Court decision as further explained below.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., Slip Op. No. 80251. This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.

2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.

3. Revenue from one dollar of a state imposed two dollar admission fee to gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.

4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.

5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.

The Missouri Supreme Court did not rule on the trial court's decision that revenue from one dollar of the state imposed two dollar admission fee to gaming riverboats that is deposited in the state treasury and appropriated is included in TSR. The Missouri Supreme Court also did not rule on the trial court's decision that revenue from payments to the state to recoup public safety and regulatory enforcement costs related to gaming riverboats that is deposited in the state treasury and appropriated is included in TSR. The Supreme Court did not rule on these issues because OA-BP failed to file a cross-appeal. OA-BP filed a late appeal, further

contesting the trial court's decision in favor of the State Auditor's Office's (SAO) position. On November 24, 1998, the Missouri Court of Appeals, Western District entered its decision, now final, in Kelly v. Hanson, et. al., Slip Op. No. 55438. The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR.

The SAO and OA-BP did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

EXHIBITS

Exhibit A

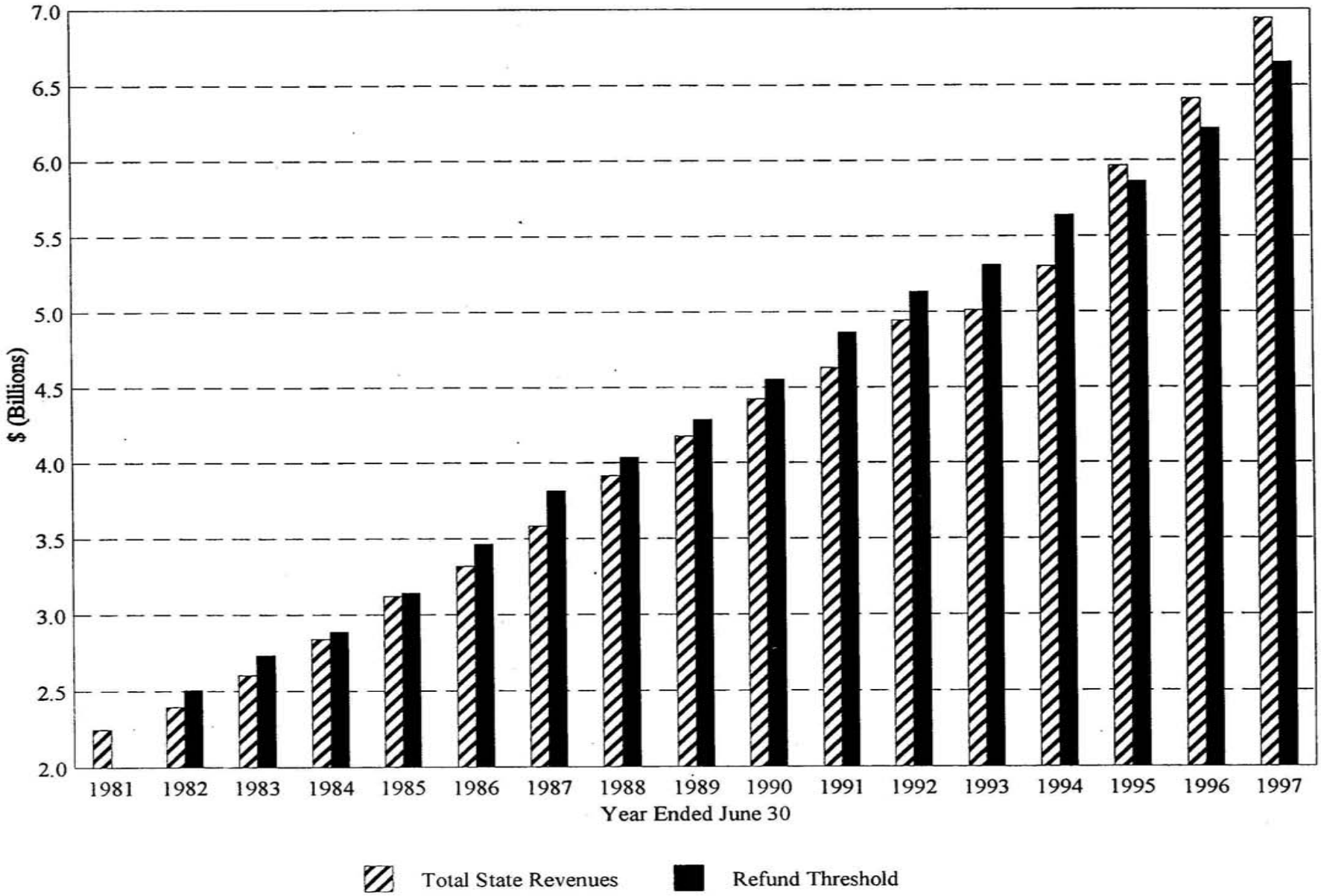
REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI
COMPARISON OF OA-BP AND SAO CALCULATIONS OF LIMITED TSR
FIVE YEARS ENDED JUNE 30, 1997
(IN MILLIONS)

		Year Ended June 30,				
		1993	1994	1995	1996	1997
TOTAL STATE REVENUE (TSR)						
Total state receipts	$	9,734.73	10,580.18	11,892.90	12,308.50	13,225.70
Less excluded revenue		(4,268.69)	(4,919.19)	(5,448.94)	(5,398.13)	(5,770.89)
Less expenditure refunds		(455.11)	(457.96)	(492.18)	(529.59)	(551.53)
TSR per OA-BP		5,010.93	5,203.03	5,951.78	6,380.78	6,903.28
SAO adjustments:						
Riverboat gaming (Note)		0.00	0.00	0.46	6.15	5.46
TSR per SAO	$	5,010.93	5,203.03	5,952.24	6,386.93	6,908.74
REVENUE LIMIT AND REFUND THRESHOLD						
MPI	$	92,733.00	98,470.00	102,386.00	108,519.00	116,154.00
Base year ratio		0.06	0.06	0.06	0.06	0.06
Base limit		5,229.68	5,553.22	5,774.06	6,119.93	6,550.50
Judicial article amendment		28.56	29.35	30.52	31.74	33.98
Revenue limit		5,258.24	5,582.57	5,804.58	6,151.67	6,584.48
1 percent adjustment		52.58	55.83	58.05	61.52	65.84
Refund threshold	$	5,310.82	5,638.40	5,862.63	6,213.19	6,650.32
REFUND CALCULATION						
TSR per OA-BP	$	5,010.93	5,203.03	5,951.78	6,380.78	6,903.28
Less refund threshold		5,310.82	5,638.40	5,862.63	6,213.19	6,650.32
Over (Under) Threshold		(299.89)	(435.37)	89.15	167.59	252.96
1 percent adjustment		N/A	N/A	58.05	61.52	65.84
Refund per OA-BP	$	0.00	0.00	147.20	229.11	318.80
TSR per SAO	$	5,010.93	5,203.03	5,952.24	6,386.93	6,908.74
Less refund threshold		5,310.82	5,638.40	5,862.63	6,213.19	6,650.32
Over (Under) Threshold		(299.89)	(435.37)	89.61	173.74	258.42
1 percent adjustment		N/A	N/A	58.05	61.52	65.84
Refund per SAO	$	0.00	0.00	147.66	235.26	324.26
Additional refund required per SAO	$	0.00	0.00	0.46	6.15	5.46

See the accompanying Note to the Exhibits.

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24
CONSTITUTION OF MISSOURI
CHART OF TOTAL STATE REVENUES VERSUS REFUND THRESHOLD
(AS CALCULATED BY SAO)



NOTE TO THE EXHIBITS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
NOTE TO THE EXHIBITS

The OA-BP did not include in state receipts the boat enforcement recoupment fees generated from riverboat gaming activities that were deposited in the state treasury. These receipts totaled $460,735, $6,155,157, and $5,456,038, for the years ended June 30, 1995, 1996, and 1997, respectively.

SCHEDULES

Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30, 1,993	1,994	1,995	1,996	1,997
101	General Revenue	$ 3,860,024,846	4,165,679,997	4,848,175,570	5,203,140,977	5,608,125,529
102	School for the Blind - Federal	0	0	0	0	0
103	School for the Deaf - Federal	0	0	0	0	0
104	Vocational Rehabilitation - Federal	2,419	1,001,712	5,303	511,415	1,370
105	Elementary and Secondary Education - Federal and Other	149,885	82,712	72,197	72,241	192,813
106	Cash Operating Reserve - General Revenue	6,584,509	6,677,063	10,624,657	12,166,856	12,716,720
107	Budget Stabilization	479,078	804,200	1,858,127	1,467,772	5,022,803
108	Uncompensated Care	113,400,000	0	0	0	0
109	Mental Health Interagency Payments	0	0	0	0	0
111	Division of Youth Services - Federal and Other	0	1,002	2,378	2,519	3,351
112	Office of the State Public Defender - Federal and Other	0	0	(3,423)	0	0
115	State Auditor - Federal	0	0	0	0	0
116	Department of Higher Education - Federal	1,950	42	0	9,505	0
117	Department of Labor and Industrial Relations - Commission on Human Rights - Federal	0	0	0	0	0
	Department of Economic Development:					
118	Community Development Block Grant (Pass-through)	0	0	0	0	0
119	Women's Council - Federal	2,500	4,705	15,210	79,272	20,089
123	Community Development Block Grant (Administration)	0	0	0	0	0
126	Department of Transportation - Federal and Other	436,137	504,042	1,131,172	669,562	1,154,513
129	Department of Economic Development - Federal and Other	0	200	(200)	16,711	0
130	Department of Corrections - Federal	0	166,248	0	0	0
132	Department of Revenue - Federal	0	0	0	0	0
133	Department of Agriculture - Federal and Other	(3,006)	0	0	0	0
135	Office of Administration - Federal and Other	0	70,843	0	0	0
136	Attorney General - Federal and Other	0	0	(59,999)	(138,041)	(25,702)
137	Supreme Court - Federal and Other	0	(5,459)	(5,459)	9,912	(2,773)
138	Department of Economic Development - Missouri Council on the Arts - Federal and Other	0	0	0	0	0
140	Department of Natural Resources - Federal and Other	24,754	103,946	19,248	77,355	35,037
141	DED - Federal and Other	2,133,788	324,531	200,000	1,152,541	0
142	Federal Reimbursement Allowance	547,357	698,121	1,140,070	11,017,229	16,646,623
143	Department of Health - Federal	2,367	(5,539)	1,058,805	609,738	(834,612)
145	State Emergency Management - Federal and Other	0	0	0	0	0
148	Department of Mental Health - Federal	162,947	6,155	8,391	8,302	10,219
149	Department of Public Safety - Highway Safety	12	0	153	0	0
152	Department of Public Safety - Federal	(672)	(25,231)	(17,355)	9,549	81,466
153	Division of Aging - Federal and Other	1	(30)	39,816	25	0
155	Job Development and Training	0	0	0	(6,155)	24
156	Department of Social Services - Federal and Other	127	65	244	10,579	54,638
161	Title XIX - Patient Placement - General Revenue	0	0	0	0	0
162	ADC - Federal	828	(7)	0	3,734	0
163	Title XIX - Federal	0	34	0	0	0
167	Division of Family Services Donations	2,175	10,426	7,261	12,193	111,811
168	Division of Aging Donations	0	25	0	0	0
169	Child Support Enforcement Collections	(82,214)	(106,481)	(124,388)	(98,339)	(112,745)
176	General Revenue Reimbursements	0	0	0	0	(5,399)
177	Missouri Humanities Council Trust	0	0	0	0	6,687
184	Missouri Veterans Commission - Federal	0	0	0	0	0
185	MCSAP/Division of Transportation - Federal	0	1,725	3,566	4,456	0
186	Division of Labor Standards - Federal	36	0	0	0	0
187	Division of Workers' Compensation - Federal	0	0	0	0	0
188	Governor's Committee on Employment of the Handicapped - Federal	0	4,023	19,768	29,693	29,180
189	Federal and Other	9,421	(16,844)	(3,143)	(2,312)	(13,915)
190	Adjutant General - Federal	(12,777)	(251)	(135,316)	(22,444)	(129,430)

Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30, 1,993	1,994	1,995	1,996	1,997
191	Department of Labor and Industrial Relations - Crime Victims - Federal	0	0	0	0	0
192	Federal - MDI	0	195,705	175,620	170,532	0
194	Federal Drug Seizure	5,870	9,394	17,939	29,080	32,051
195	Secretary of State - Federal	0	4,578	598	103	727
196	Nursing Facility Federal Reimbursement Allowance	0	0	1,401,973	3,479,394	5,332,352
197	Community Service Commission - Federal and Other	0	0	0	0	0
	Water Pollution Control Bond and Interest:					
220	Pre Tax Act 1986	574,434	361,698	487,568	484,563	395,046
221	Series B 1987	28,293	27,444	15,586	0	0
222	Series A 1989	96,047	48,757	59,017	54,675	62,204
224	Series A 1991	93,486	43,642	59,038	54,011	61,186
225	Series B 1992	76,911	96,671	157,926	147,110	247,412
226	Series A 1992	76,702	88,154	141,453	129,903	148,120
227	Series B&C 1991	131,977	124,787	197,964	234,974	232,510
228	Series A 1993	0	63,698	115,424	105,473	120,046
229	Series B 1993	0	243,685	332,588	307,088	352,439
	Third State Building Bond Interest and Sinking:					
230	Pre Tax Act 1986	1,594,263	725,928	971,377	1,033,963	646,518
231	Post Tax Act 1986	60,637	58,942	33,484	0	0
232	Series A&B 1991	276,273	260,488	414,212	489,089	483,718
233	Series A 1992	233,641	508,502	824,491	762,647	1,254,351
234	Series A 1993	0	339,744	468,105	432,507	496,347
	Water Pollution Control Bond and Interest -					
235	Series A 1995	0	0	49,068	111,403	128,950
236	Series A 1996	0	0	0	0	104,408
	Fourth State Building Bond and Interest -					
240	Series A 1995	0	0	45,231	273,396	322,451
241	Series A 1996	0	0	0	0	372,751
246	Motorcycle Safety Trust	0	0	0	2,385	3,972
247	Hearing Instrument Specialist	0	0	0	22,590	70,665
249	Compulsive Gamblers	0	0	0	300,000	0
253	Missouri Crime Prevention Information and Programming	0	0	0	0	0
254	Missouri Housing Trust	0	0	2,343,493	3,595,779	3,717,438
255	Treasurer's Information	0	0	457	14,608	(12,604)
261	Residential Mortgage Licensing	0	0	0	0	229,718
262	Missouri Arts Council Trust	0	0	0	40,758	360,162
263	Board of Geologist Registration	0	0	0	129,540	97,035
264	Missouri Commission for the Deaf Board of Certification of Interpreters	0	0	0	19	23,741
265	Gaming Commission Bingo	0	0	138,704	126,089	127,261
266	Secretary of State's Technology Trust Fund Account	0	0	1,653,024	2,216,093	2,284,533
269	Missouri National Guard Training Site	0	0	137,151	172,645	200,022
270	Statewide Court Automation	0	0	2,381,223	4,134,134	4,184,606
271	Nursing Facility Quality of Care	0	0	192,022	761,874	1,083,679
272	Missouri Student Grant Program Gift	0	0	0	0	
274	Division of Tourism Supplemental Revenue	0	0	0	0	0
275	Health Initiatives	0	20,798,800	31,057,762	32,275,006	32,223,483
276	Health Access Incentive	0	0	0	850,000	0
277	Mental Health Housing Trust	0	0	0	0	4,019
278	Family Support Loan Program	0	0	1,613	9,647	16,884
280	Business Extension Service Team	0	0	0	0	0
281	Peace Officers Standards and Training Commission	0	72,790	246,941	301,104	418,625
284	Independent Living Center	0	51,216	121,332	138,900	170,204
285	Gaming Proceeds for Education	0	0	0	0	0
286	Gaming Commission	0	2,818,438	3,549,967	10,073,218	10,894,185

Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30, 1,993	1,994	1,995	1,996	1,997
287	Outstanding Schools Trust	0	509,745	5,080,843	10,068,818	14,204,380
288	Mental Health Earnings	0	449,985	1,964,418	2,515,064	1,646,729
289	Bingo Proceeds for Education	0	0	0	0	0
290	Highway Department - Grade Crossing Safety Account	385,733	1,023,194	833,805	1,241,628	1,046,319
291	Lottery Proceeds	0	0	0	289	1,436
292	Animal Health Laboratory Fee	0	84,950	206,987	232,636	262,064
293	Mammography	117,300	58,400	56,784	63,984	86,684
295	Animal Care Reserve	0	99,300	241,580	243,647	253,783
296	Division of Aging - Elderly Home Delivered Meals Trust	0	981	1,042	182	211
297	Highway Patrol Inspection	607,680	847,714	852,835	877,026	1,076,350
298	Missouri Public Health Services	283,364	364,312	543,625	758,657	639,393
299	Livestock Brands	31,405	32,295	22,870	18,375	16,920
302	Department of Natural Resources - Federal (Land and Water)	0	0	0	0	0
304	Veteran's Homes Capital Improvement Trust	0	0	0	68,831	275,570
320	State Road	16,090,614	12,565,818	17,557,065	20,927,760	11,228,850
325	Veterans Homes Capital Improvement	0	2,349,206	96,453	136,091	47,801
341	Water Pollution Control - Pre Tax Act 1986	0	0	0	0	0
342	Water Pollution Control - Series A 1989 - 37E - NEW	0	0	0	0	0
343	Water Pollution Control - Series A 1989 - 37C	0	0	0	0	0
344	Water Pollution Control - Series A 1991 - 37E	16,650	0	0	0	0
345	Water Pollution Control - Series A 1991 - 37C	18,071	0	0	0	0
346	Water Pollution Control - Series A 1992 - 37E	330,864	63,887	0	0	0
347	Water Pollution Control - Series A 1992 - 37C	405,290	55,172	0	0	0
348	Water Pollution Control - Series A 1993 - 37C	0	414,050	373,030	162,446	34,581
349	Water Pollution Control - Series A 1993 - 37E	0	440,740	362,960	15,445	0
351	Water Pollution Control - Series A 1995 - 37C	0	0	52,555	242,872	112,250
352	Water Pollution Control - Series A 1995 - 37E	0	0	262,750	1,004,170	313,244
353	Water Pollution Control - Series A 1996 - 37C	0	0	0	0	502,120
354	Water Pollution Control - Series A 1996 - 37E	0	0	0	0	844,553
360	Third State Building - Pre Tax Act 1986	838,743	426,635	395,464	301,821	199,935
371	Third State Building Trust - Pre Tax Act 1986	0	0	0	1,925	1,669
380	Fourth State Building - Series A 1995	0	0	786,728	3,211,948	1,391,385
381	Fourth State Building - Series A 1996	0	0	0	0	4,803,635
403	Mental Health Central Supply	0	0	0	0	0
406	Commodity Council Merchandising	7,867,538	7,299,402	8,715,352	8,929,820	10,748,958
407	Federal Surplus Property	1,753,179	2,263,030	1,853,998	1,616,386	1,403,661
408	Single-purpose Animal Facilities Loan Program	0	0	0	54,146	235,061
410	State Fair Fees	2,324,932	2,636,325	2,948,455	2,516,152	2,393,159
415	State Parks Earnings	4,205,436	5,117,497	5,142,735	5,755,621	5,526,811
420	State Parks Revolving	94,019	90,274	123,327	145,172	389,949
425	Natural Resources Revolving Services	200,252	204,829	237,624	254,343	281,535
430	Historic Preservation Revolving	1,885	3,416	751	89,034	17,227
460	Missouri Veterans' Homes	6,489,234	6,668,980	8,835,638	9,181,603	9,200,352
465	Missouri State Chest Hospital	3,509,830	2,556,772	2,751,013	3,377,440	197,193
500	Department of Natural Resources Cost Allocation	(15)	0	21	(1,005)	62
501	State Facility Maintenance and Operation	0	0	0	0	198,889
505	Office of Administration Revolving Administrative Trust	1,083,432	2,756,716	3,814,326	12,930,918	12,775,659
510	Working Capital Revolving	1,183,866	1,286,753	1,531,389	1,866,955	1,840,155
511	Microfilming Service Revolving Trust	3,164	295	881	561	12
515	Central Check Mailing Service Revolving	0	0	0	0	0
520	House of Representatives Revolving	36,696	33,466	52,153	31,170	24,001
525	Supreme Court Publications Revolving	83,720	41,993	116,399	112,359	124,282
530	Adjutant General Revolving	38,666	44,164	48,579	59,093	49,134
535	Senate Revolving	22,040	19,582	13,848	10,880	42,610
540	Inmate Revolving	2,174,176	2,641,063	2,837,488	3,085,362	3,260,298

Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30, 1,993	1,994	1,995	1,996	1,997
545	Department of Social Services Administrative Trust	18,982	29,114	224,695	183,463	445,050
546	Statutory Revision	162,006	281,573	727,955	225,824	162,149
547	Department of Economic Development Administrative	0	2,304,867	2,214,666	1,839,580	38,984
548	Division of Credit Unions	660,167	593,484	617,733	735,264	794,654
549	Division of Savings and Loan Supervision	500,436	487,050	450,514	42,865	38,751
550	Division of Finance	6,062,719	6,269,155	6,811,399	6,763,194	7,199,578
551	Industrial/Commercial Energy Conservation Loan	59,893	104,432	159,916	173,974	136,144
552	Insurance Examiners	4,612,781	5,715,627	6,130,048	6,353,390	7,032,816
553	Design and Construction - Donated	0	151,798	2,450	0	0
554	Firing Range Fee	880	1,170	700	470	0
555	Natural Resources Protection	32,301	644,666	322,648	354,204	260,030
556	Youth Service and Conservation Corps	0	0	0	0	0
559	Deaf Relay Service	2,998,848	4,185,593	4,320,598	4,503,021	4,754,625
560	Mortgage Broker Administration	16,100	71,710	62,095	1,100	0
561	Real Estate Appraisers	393,097	381,207	327,941	314,764	297,049
562	Endowed Care Cemetery Audit	143,477	188,983	207,179	203,290	153,771
563	Missouri Community College Job Training Program	1,826,164	3,330,374	3,695,728	6,393,596	6,924,397
565	Professional and Practical Nursing Student Loan and Nurse Loan Repayment	325,490	339,856	352,728	370,452	699,999
566	Department of Insurance Dedicated	5,915,462	5,794,915	5,908,814	6,880,730	6,707,213
567	International Trade Show Revolving	44,990	69,430	71,583	37,390	85,077
568	Natural Resources Protection - Water Pollution Permit Fee Subaccount	2,251,811	2,440,094	2,657,205	2,850,079	4,685,674
569	Solid Waste Management - Scrap Tire Subaccount	1,515,733	1,589,783	1,600,186	1,651,838	1,728,208
570	Solid Waste Management	6,766,715	7,176,978	7,201,983	7,075,466	7,357,325
573	Aquaculture Marketing Development	12,744	11,389	18,966	18,053	19,020
574	Clinical Social Workers	104,417	245,591	318,090	234,869	286,463
575	Metallic Minerals Waste Management	31,297	84,584	89,708	92,429	93,142
576	Landscape Architectural Council	18,005	21,455	24,098	19,360	21,180
577	Local Records Preservation	1,233,771	1,405,763	1,138,421	1,190,145	1,250,992
579	Veterans Trust	9,359	9,190	14,083	16,509	19,305
580	State Committee of Psychologists	273,779	368,519	338,998	366,572	350,699
581	Livestock Sales and Markets Fees	17,025	17,400	15,600	14,990	13,875
582	Manufactured Housing	354,227	382,569	426,908	500,876	552,592
583	Missouri Health Care Providers	40,089	52,324	99,155	114,664	75,815
584	Natural Resources Protection - Air Pollution Asbestos Fee Subaccount	303,561	368,768	448,141	519,895	450,613
585	Underground Storage Tank Insurance	14,491,097	7,378,351	2,603,788	4,363,430	16,685,770
586	Underground Storage Tank Regulation Program	253,210	302,028	251,765	86,483	94,443
587	Chemical Emergency Preparedness	687,748	693,543	700,364	734,915	723,515
588	Motor Vehicle Commission	883,878	901,629	942,513	999,572	1,023,983
589	Health Spa Regulatory	6,000	6,225	8,200	5,800	5,700
591	State Forensic Laboratory	250,000	250,000	250,000	250,000	250,000
592	Services to Victims	822,729	910,250	971,101	925,240	1,706,463
594	Natural Resources Protection Air Pollution Permit Fee Subaccount	5,893,442	6,625,772	6,425,326	5,995,951	7,051,966
598	Medical School Loan and Loan Repayment Program	0	0	0	0	0
599	Video Instructional Development and Educational Opportunity	0	0	0	0	0
600	Missouri Job Development	0	0	0	388	0
601	Children's Services Commission	242	11,673	5,311	747	746
602	Water and Wastewater Loan Revolving	514,954	1,244,127	4,259,193	4,137,706	6,162,800
603	Attorney General's Court Costs	19,749	6,950	193	19,612	5,858
604	Missouri Prosecuting Attorney	26,666	0	0	0	0
605	Missouri Breeders	2,446	2,181	3,321	3,619	3,732
606	Political Subdivision Reimbursement	2,963	0	0	0	0

Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30, 1,993	1,994	1,995	1,996	1,997
607	Public Service Commission	9,315,975	10,912,797	10,617,489	11,873,034	11,576,967
608	Grade Crossing and Safety Account	(398)	22,768	0	0	0
609	Conservation Commission	85,452,517	89,618,358	97,465,656	104,348,924	110,506,508
610	Division of Family Services - Administrative	904,938	1,070,007	(160,062)	(257,217)	(581,740)
611	County Officers Compensation	38,089	0	0	0	0
613	Parks Sales Tax	11,474	5,739	8,597	62,295	27,193
614	Soil and Water Sales Tax	297	3,768	13	1,555	3,570
615	Apple Merchandising	5,985	7,197	4,832	4,715	5,064
616	State School Money	55,074,884	55,947,675	59,392,720	59,253,661	58,712,784
617	Disproportionate Share	0	0	0	0	0
618	Handicapped Children's Trust	0	0	0	0	0
619	Department of Revenue Information	3,258,711	3,280,433	3,315,158	3,844,376	3,903,445
620	Department of Social Services Educational Improvement	0	0	(7)	0	0
621	Blind Pension	13,306,774	13,606,851	14,033,071	14,625,859	15,570,167
622	Tort Victims Compensation	51,946	1,572	7,956	9,565	16,689
623	State Seminary Money	249,294	200,821	197,574	224,084	236,788
624	Livestock Dealer Law Enforcement and Administration	4,390	2,749	2,054	3,709	4,946
626	State Guaranty Student Loan	5,133,193	5,837,232	5,085,949	4,316,116	4,380,199
627	Board of Accountancy	652,748	664,175	768,913	589,961	635,199
628	Board of Barber Examiners	169,200	170,615	169,860	174,133	170,760
629	Board of Podiatry	43,050	42,780	43,868	44,927	53,408
630	Board of Chiropractic Examiners	239,462	274,814	275,770	277,104	257,485
631	Merchandising Practices Revolving	562,234	525,889	556,434	1,129,952	862,469
632	Board of Cosmetology	231,742	2,357,557	235,544	1,896,202	376,286
633	Board of Embalmers and Funeral Directors	345,909	355,710	347,710	437,156	455,466
634	Board of Registration for Healing Arts	2,978,731	3,015,067	3,116,765	3,168,610	3,243,660
635	Board of Nursing	1,394,109	1,602,757	1,665,337	1,737,466	3,097,964
636	Board of Optometry	81,120	83,530	87,595	88,084	125,612
637	Board of Pharmacy	782,410	814,551	813,706	1,058,506	1,120,302
638	Missouri Real Estate Commission	1,320,881	1,472,330	1,973,277	1,496,353	1,964,355
639	Veterinary Medical Board	295,697	380,869	333,135	341,293	340,726
642	State Schools Textbook	0	0	0	0	0
644	Highway Department	126,585,342	128,796,443	131,434,168	138,282,043	138,954,472
645	Milk Inspection Fees	1,581,240	1,495,654	1,512,667	1,483,842	1,461,870
646	Department of Health Document Services	123,183	157,993	124,494	132,284	221,169
647	Grain Inspection Fees	2,111,735	1,468,240	1,421,303	1,374,474	1,755,887
648	Petition Audit Revolving Trust	54,288	118,653	142,461	102,392	111,143
649	Water and Waste Water Loan	29,991	24,672	37,301	46,293	62,319
650	Tourism Marketing	250	494	824	395	0
651	Excellence in Education	881,228	1,387,974	1,523,880	1,969,563	2,108,992
652	Workers' Compensation	9,380,672	9,235,933	2,305,544	1,192,237	13,588,696
653	Workers' Compensation - Second Injury	50,323,323	40,540,448	5,980,545	2,780,461	3,928,274
654	State Environmental Improvement Authority	1,469	236	0	0	0
655	Missouri Prospective Teachers Loan	240	811	1,960	1,030	360
657	Lottery Enterprise	0	0	0	0	0
658	Department of Health - Donated	8,742	13,600	76,362	181,473	909,455
659	Railroad Expense	413,124	538,069	499,949	502,560	507,778
660	Water Well Drillers	280,413	412,097	463,735	481,901	491,579
662	Petroleum Inspection	969,342	1,388,449	1,902,235	1,886,807	1,700,177
663	Missouri Disaster	0	226,912	0	0	0
666	Attorney General's Anti-trust	17,398	16,500	40,000	104,976	454,528
667	Energy Set-Aside Program	386,613	349,327	553,836	556,801	695,146
668	State Land Survey Program	1,228,543	1,406,207	1,131,484	1,183,239	1,253,040
669	Petroleum Violation Escrow	957,460	816,155	1,114,858	1,163,320	1,232,242
670	Legal Defense and Defender	420,092	385,544	329,890	654,082	438,558
671	Criminal Record System	372,852	562,356	899,476	1,210,678	1,603,159

Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30, 1,993	1,994	1,995	1,996	1,997
672	Committee on Professional Counselors	203,699	220,418	253,257	266,289	299,190
673	Motor Fuel Tax	479,211,173	439,745,086	485,843,150	499,231,650	562,182,075
674	Highway Patrol Academy	247,624	326,034	160,711	167,808	259,883
675	State Transportation	0	0	143	0	0
676	Hazardous Waste	833,208	784,423	1,098,495	1,174,939	1,121,670
677	Dental Board	527,206	521,233	510,807	512,403	678,038
678	State Board of Architects, Engineers and Land Surveyors	734,200	768,842	1,169,388	550,425	1,019,932
679	Safe Drinking Water	1,123,283	2,353,704	2,938,524	2,885,439	2,911,110
680	Missouri Office of Prosecution Services	197,637	196,367	161,980	164,906	159,777
681	Crime Victims' Compensation	3,902,909	3,901,519	4,248,257	4,336,598	3,825,731
682	Insurance Examiners' Sick Leave	1,728	0	0	0	0
683	Marketing Development	448,088	406,557	385,672	432,942	433,748
684	Coal Mine Land Reclamation	214,280	293,269	287,389	375,778	221,410
685	Missouri Horse Racing Commission	143	46	104	88	0
686	State Elections Subsidy	0	200,000	0	0	0
687	Fair Share	25,088,982	24,331,185	25,347,571	25,632,040	25,078,896
688	School District Trust	0	0	0	100	0
689	Professional Registration Fees	(28,794)	(24,678)	(45,308)	(28,543)	(30,474)
690	Hazardous Waste Remedial	2,447,504	2,256,183	2,566,414	2,391,093	3,104,501
691	Missouri Air Pollution Control	807,217	864,503	868,268	888,741	921,777
692	State Legal Expense	0	0	0	0	0
693	Athletic	73,164	48,016	59,357	88,705	210,211
694	Children's Trust	1,357,598	1,464,068	1,564,441	1,529,200	1,651,531
695	Highway Patrol Motor Vehicle Revolving	2,758,860	3,385,236	3,585,067	4,318,508	4,429,562
696	Local Government Energy Conservation Loan	93,339	134,272	202,176	214,050	143,099
697	Abandoned Mine Reclamation	2,119	4,662	11,431	20,585	24,729
698	Meramac-Onondaga State Parks	29,122	27,374	41,835	45,997	46,948
699	Oil and Gas Remedial	0	0	0	38,199	0
706	Missouri State Employees' Deferred Compensation Incentive Plan Administration	0	0	0	39,775	51,250
710	Proceeds of Surplus Property Sales	707,192	0	1,048,905	929,115	1,016,777
753	Debt Offset Escrow	(3,665,993)	(3,614,382)	(3,742,353)	(6,195,085)	(4,821,258)
756	Agriculture Bond Trustee	0	10,000	(10,000)	0	0
812	Confederate Memorial Park	3,095	2,951	4,662	5,237	5,456
817	State Public School	43,530	16,965	25,430	85,105	121,065
824	Organ Donor Program	0	0	0	124,099	353,369
826	Child Labor Enforcement	0	0	0	400	5,850
828	Inmate Incarceration Reimbursement Act Revolving	0	0	0	17,200	57,245
829	Secretary of State's Investor Education	0	0	0	15,100	124,608
830	Property Reuse	0	0	0	0	107,322
836	State Document Preservation	0	0	0	0	20,053
862	Escheats	702,827	1,037,405	688,495	455,928	330,704
863	Abandoned Fund Account	11,102,415	11,239,842	15,362,885	16,537,096	21,184,632
872	State Seminary	0	0	0	0	0
873	Champ W. Smith & Mary C. Smith Memorial Endowment Trust	13,981	12,626	19,297	20,537	20,330
901	Veterans Memorial	0	0	0	0	0
904	Agriculture Development	102,508	85,580	164,387	180,467	161,484
905	Alternative Care Trust	0	0	0	0	0
906	Mined Land Reclamation	612,551	514,179	366,037	321,068	304,803
911	Babler State Park	178,004	191,353	246,630	284,337	281,006
920	School for Blind Trust	115,014	129,310	43,781	399,400	745,171
922	School for Deaf Trust	0	7,500	0	15,000	0
925	Institution Gift Trust	0	0	0	0	5,500
926	Mental Health Institution Gift Trust	2,965,698	3,718,876	6,080,906	6,937,519	6,023,564
927	Department of Health Institution Gift Trust	13,220	27,207	21,874	20,876	123

Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30, 1,993	1,994	1,995	1,996	1,997
928	Higher Education Institution Gift Trust	0	0	0	3,811	8,059
929	Secretary of State Institution Gift Trust	91,370	37,896	96,575	58,510	55,081
930	State Treasurer Institution Gift Trust	0	0	0	0	0
948	Unemployment Compensation Administration	(125)	(6,345)	(174)	79	(3,871)
949	Special Employment Security	555,212	4,067,467	4,245,071	981,705	811,942
950	Crippled Children	2,239	11,690	1,817	5,867	28,950
951	State Fair Trust	7,789	5,966	4,496	4,904	4,007
952	Aviation Trust	507,262	444,647	458,456	418,275	428,161
963	Pansey Johnson-Travis Memorial State Gardens Trust	109,888	40,813	30,345	36,395	37,868
964	Pansey Johnson-Travis Stocks and Securities Trust	0	0	0	0	0
969	Prosecuting and Circuit Attorneys' Retirement	546,254	184,653	4,138	0	0
	Amount not identified by fund	38,607	1,215,381	0	0	0
	Total All Funds	$ 5,010,933,945	5,203,039,394	5,952,239,457	6,386,936,483	6,908,736,259

Schedule 2

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Object Code	Type of Revenue	Year Ended June 30, 1993	1994	1995	1,996	1,997
	Taxes:					
	Sales and use taxes -					
1001	Sales and use tax	$ 1,301,555,892	1,400,767,295	1,500,216,708	1,572,942,103	1,661,577,698
1002 (i)	Parks sales and use tax	23,541,851	25,694,705	27,464,734	28,831,212	30,147,296
1003 (h)	Soil and water sales and use tax	23,541,858	25,694,712	27,464,743	28,831,220	30,147,300
1005	Motor vehicle sales and use tax	129,313,753	158,057,709	166,606,905	176,976,510	183,282,751
1007	Conservation sales and use tax	58,896,003	64,246,972	68,668,633	72,082,941	75,372,032
1008 (b)	Proposition C sales and use tax	470,461,721	511,935,619	546,940,077	573,887,136	599,874,927
1009	Sales and use taxes paid under protest	1,340,934	161,040	(500)	372,590	330,458
	Income taxes -					
1010	Individual income tax	2,321,040,215	2,470,440,138	2,870,296,890	3,119,662,175	3,417,345,814
1011	Individual income taxes paid under protest	8,734	(4,049,023)	34,502	(44,851)	52,260
1015	Corporate income tax	236,351,106	289,447,889	422,130,243	475,543,706	471,803,854
1016	Corporate income taxes paid under protest	1,409,882	803,073	(73,723)	1,200,484	(243,289)
	Premium taxes -					
1020	County foreign insurance tax	135,206,655	138,049,581	164,815,554	166,069,784	158,043,999
1023	County stock insurance tax	3,002,593	3,339,620	3,305,610	4,635,617	5,293,720
1025	Workers' compensation insurance tax	8,090,546	8,380,949	2,340,213	1,102,132	12,930,619
1030	Workers' compensation insurance tax - second injury	49,746,210	38,549,365	3,406,167	453,685	2,260,522
1032	Excess lines of insurance tax	5,845,638	6,684,727	8,205,283	8,263,241	7,178,036
	Commodity taxes -					
1035	Cigarette tax	79,110,973	99,015,031	113,454,810	115,877,272	113,954,350
1040	Heavy beer tax	7,233,695	7,519,572	7,564,576	7,413,845	7,522,370
1045	Light beer tax	95,780	82,082	85,486	78,097	67,390
1047	Liquor tax	13,837,571	13,497,103	13,402,780	13,317,705	13,322,732
1050	Wine tax	2,395,007	2,273,339	2,329,404	2,599,439	2,601,203
	Miscellaneous taxes -					
1055	Corporation franchise tax	59,820,001	61,299,431	67,624,527	72,274,454	78,462,670
1060 (c)(n) (n)	Motor vehicle fuel tax	351,497,061	368,906,056	424,360,346	434,673,292	491,041,894
1065 (c) (n)	Special fuel tax	107,547,946	119,660,918	141,024,078	146,173,382	170,151,257
1070	Inheritance tax	59,764,765	55,552,936	73,088,557	57,329,820	82,808,839
1073 (o)	Bingo tax	5,996,048	8,486,388	6,016,548	4,400,745	4,314,178
1074 (p)	Gaming commission receipts tax	0	880,132	55,746,015	95,833,764	116,631,782
1080	Incorporation tax	7,404,131	7,740,124	9,440,289	10,101,429	10,741,031
1085	Real and personal property tax	12,024,399	12,375,914	12,503,874	13,543,245	12,433,841
1090	Delinquent real and personal property tax	1,282,615	1,230,937	1,529,197	1,082,614	3,098,424
1095	Other taxes	4,031,766	2,583,258	4,017,091	14,694,327	22,267,080
	License, permits, and fees:					
	Licenses and permits -					
1100	Professional licenses or permits	10,239,980	13,394,507	12,202,534	13,386,050	14,618,353
1105	Recreational licenses or permits	2,791,782	2,751,453	3,518,910	3,221,729	3,507,553
1108	All-terrain vehicle licenses or permits	211,354	215,699	330,278	366,280	3,517
1110	Motor vehicle licenses or permits	203,465,089	206,652,345	216,613,049	223,109,380	225,784,047
1113	Driver's licenses or permits	14,695,287	15,195,107	16,733,367	17,902,082	18,660,249
1115	Land reclamation commission permits	571,009	461,682	279,109	426,668	416,422
1117	Salesman licenses or permits	7,631,252	10,136,637	9,256,379	9,664,765	10,400,422
1119	Motor vehicle and boat manufacturer and dealer licenses	865,014	885,425	922,458	975,585	997,816
1120	Liquor licenses or permits	3,064,325	3,310,223	3,388,388	3,452,377	3,535,290
1122	Gaming commission licenses	0	2,783,148	2,133,548	2,706,346	2,998,949
1125	Beer licenses or permits	26,337	21,763	20,654	17,405	16,546
1130	Motor carrier licenses	2,439,496	1,642,553	3,131,450	2,557,957	2,551,975
1132	Hunting and fishing licenses and permits	19,526,412	19,588,684	20,321,729	21,451,397	25,905,843
1135	Other licenses and permits	6,763,173	7,329,764	7,702,828	8,422,128	9,291,738

Schedule 2

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Object Code	Type of Revenue	Year Ended June 30, 1993	1994	1995	1,996	1,997
	Collection fees -					
1140	City sales tax collection fees	8,223,500	9,332,149	10,748,925	11,548,704	11,728,152
1145	County collectors fees	10	30	0	6,678	0
1150	Jackson County cigarette tax collection fees	25,802	27,224	28,013	28,333	29,753
1155	St. Louis County cigarette tax collection fees	45,786	49,354	48,551	48,696	47,871
1160	Financial institution intangible property tax collection fees	402,664	565,918	464,729	380,695	254,439
	Registration fees -					
1170	Motorboat fees	2,657,202	2,804,098	3,415,680	3,667,343	4,694,914
1175	Narcotics and dangerous drugs fees	599,580	606,630	626,170	632,630	626,150
1180	Outboard motor fees	464,085	468,224	497,515	484,113	0
1184	Horse registration fees	0	0	0	0	0
1185	Occupational boards fees - individual	911,771	989,306	991,997	1,051,954	1,034,060
1186	Occupational boards fees - corporate	122,910	124,267	160,175	127,096	139,015
1187	Nonmotor fuel decal fees	316,876	303,064	299,652	287,917	273,711
1189	Other registration fees	331,266	391,790	426,405	509,300	509,002
	Regulatory fees -					
1190	Athletic (commission) fees	58,574	32,311	37,622	56,410	177,426
1195	PSC/Division of Transportation - regulatory fees	12,694,469	15,565,269	15,302,992	16,603,654	16,512,014
1200	Milk control fees	65,383	61,146	67,365	59,684	57,799
1204	Home health care license fees	144,900	162,650	180,300	197,400	228,000
1205	Nursing home license fees	26,810	24,470	22,590	19,640	18,130
1206	Title V emissions fees	4,804,757	5,168,796	4,360,307	4,010,668	4,286,862
1207	Boarding home license fees	221,225	176,566	238,413	692,690	749,906
1209	Hospital license fees	97,647	101,836	105,072	107,152	98,664
1210	Grain warehouse license fees	59,017	57,104	55,288	50,893	49,980
1211	Missouri primacy fees	896,669	2,111,831	2,318,310	2,238,168	2,413,183
1212	Underground storage tank annual participation fees	504,200	834,523	1,089,231	1,521,791	1,506,037
1213	Transport load fees	13,319,113	5,599,425	18,107	1,234,193	13,073,438
1215	Tourist cabin permit fees	146,678	153,869	138,229	96,868	124,768
1218	New tire fees	0	1,579,005	1,590,293	1,641,537	1,713,438
1219	Livestock sales and marketing fees	16,950	17,755	15,725	150	0
1220	Water and sewage fees	0	0	0	0	0
1221	Insurance companies regulatory fees	1,010,088	1,107,137	1,054,906	1,946,490	1,931,466
1222	Air conservation commission permit fees	161,891	174,549	203,582	310,308	477,569
1223 (o)	Bingo license fees	84,025	78,474	135,537	122,072	120,821
	Inspection fees -					
1225	Beverage inspection fees	478,166	484,927	471,889	532,106	491,242
1230	Grain warehouse inspection fees	2,059,367	1,419,408	1,364,728	1,305,079	1,713,361
1235	Milk inspection fees	1,581,860	1,490,043	1,512,727	1,483,863	1,461,870
1237	Ice cream products inspection fees	59,541	11,290	65,309	44,245	38,760
1240	Mine inspection fees	72,003	58,121	61,543	64,604	73,414
1245	Mobile home and recreational vehicle inspection fees	354,227	382,569	426,908	487,188	535,050
1249	Oil inspection fees	952,478	1,366,633	1,849,263	1,801,916	1,603,507
1250	Mattress factory inspection fees	1,000	0	0	0	0
1253	Other inspection fees	616,045	577,678	580,846	679,262	716,007
	Miscellaneous fees -					
1255	Admission fees	1,077,298	1,454,541	1,224,845	856,156	850,362
1257	State auditor fees	551,598	475,074	423,430	428,807	515,808
1260	Secretary of state fees	1,282,145	1,334,721	2,042,609	2,103,117	2,130,122
1262	Savings and loan association fees	114,997	192,348	394,132	37,314	35,372
1263	Grade crossing safety fees	0	409,887	210,090	217,017	0
1265	Court fees	14,890,671	14,249,872	17,244,125	18,948,444	19,068,093
1267	Financial institutions examination fees	6,693,057	6,649,603	6,962,249	6,943,207	7,386,374

Schedule 2

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Object Code	Type of Revenue	Year Ended June 30, 1993	1994	1995	1,996	1,997
1268	Consumer finance license fees	229,600	221,875	246,275	268,900	317,425
1270	Institutional support fees	1,022,214	1,178,781	811,815	840,035	115,005
1275	Land survey fees	2,457,087	2,812,411	2,259,370	2,366,477	2,501,984
1280	Magistrate fees	15	0	0	0	0
1282	Marketing development fees	8,847,832	8,062,679	8,935,485	9,515,159	10,906,547
1285	Miscellaneous insurance fees	4,188,018	4,761,761	3,095,598	2,122,278	2,138,781
1287	Gaming commission fees	0	3,224	13,773,701	28,765,563	38,078,921
1290	Motor vehicle inspection sticker fees	3,742,624	4,009,845	4,028,411	4,146,514	4,160,557
1291	Hunting and fishing tag fees	0	1,078,933	1,177,346	1,163,143	1,203,458
1293	Public defender fees	416,416	381,917	328,472	647,409	429,399
1294	Excellence in education fees	0	6,341	0	0	0
1295	Professional liability legal fees	0	0	0	0	0
1296	County recorders fees	0	807,320	3,118,225	4,262,538	4,390,182
1297 (e)	Other fees	21,053,833	22,172,965	24,957,129	25,724,178	30,012,908
	Sales:					
1305 (d)	Bond sales	35,000,000	29,949,105	105,219,799	0	160,000,000
1310	Land sales	2,391,724	859,639	1,521,315	2,855,015	1,786,479
1315	Natural resources sales	1,033,086	1,656,787	1,648,300	1,551,477	1,928,865
1320	Agriculture sales	1,339,224	842,718	1,368,864	954,432	1,387,826
1325	Commodity sales	688,071	678,318	663,883	474,683	395,710
1330	Information sales	4,545,472	4,782,787	5,551,054	5,791,902	5,758,040
1335 (a)	National forest timber sales	1,711,602	0	0	0	0
1340	Surplus property sales - state	7,391,990	7,351,473	9,271,967	10,093,516	8,925,742
1341	Surplus property sales - federal	0	2,407	11,163	31,699	27,398
1344	Sales of fixed assets	0	0	0	0	28,500
1345	Vital records sales	1,624,897	1,820,035	1,939,188	1,794,726	1,308,634
	Working Capital Revolving Fund sales -					
1346 (g)	Intragovernmental	14,827,979	16,031,129	17,584,686	22,785,926	28,737,974
1347	External	1,183,856	1,235,099	1,336,076	1,786,804	1,659,819
1348 (e)	Instant game ticket sales	47,662,446	68,753,805	81,858,017	91,018,456	95,085,120
1349 (e)	Lotto ticket sales	96,275,460	139,810,735	155,675,399	144,410,037	140,392,242
1350 (e)	Other sales	2,144,912	2,109,202	2,616,845	4,525,050	2,198,946
	Leases and rentals:					
1405 (a)	U. S. flood control leases	399,782	0	0	0	0
1425	Office and parking rentals and leases	131,820	132,015	276,174	280,604	493,628
1435	Concessions and recreational rentals and leases	1,831,166	1,945,722	2,201,137	2,049,831	2,224,635
1440	Housing rentals and leases	0	16,443	17,615	132,151	272,056
1445	Highway sign rentals	0	45	0	0	0
1450	Other leases and rentals	9,564,273	3,306,655	3,657,353	5,248,479	3,766,771
	Services:					
	Medical services -					
1470 (a)	Managed care - Medicaid	0	0	0	84,717	325,873
1472	Managed care - Other	0	0	0	(1,752)	0
1475 (a)	Hospital services - Medicare	9,185,046	7,006,242	5,276,563	8,035,839	4,476,075
1477 (a)	Hospital services - Medicaid	173,098,763	188,417,740	205,679,465	107,073,018	181,708,691
1479	Hospital services - other insurance	3,666,995	2,906,071	2,993,617	3,076,603	1,786,822
1481	Hospital services - private payments	6,600,990	6,653,564	7,211,360	6,537,551	6,447,658
1483	Hospital services - county court payments	27,260	33,993	887	12,093	38,505
1485 (a)	Professional services - Medicare	2,107,614	3,018,321	2,816,995	2,094,605	2,442,939
1487 (a)	Professional services - Medicaid	0	64	435	5,899	0
1489	Professional services - other insurance	577,553	350,622	230,721	183,080	172,285
1491	Professional services - private payments	144,290	179,175	320,086	397,574	424,859
1493	Professional services - county court payments	1,311	1,974	678	4,653	0
1494 (g)	State facility modification services	0	0	0	0	408,829
1495 (g)	OA revolving trust fund services	30,113,773	33,701,131	37,243,729	41,631,934	49,732,062

Schedule 2

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Object Code	Type of Revenue	Year Ended June 30, 1993	1994	1995	1,996	1,997
1496 (g)	Microfilming service revolving trust fund services	0	0	0	0	0
1497 (g)	Central check mailing service revolving fund service	35,668	40,990	42,554	47,642	47,554
1498 (g)	Central supply services	2,496,192	1,827,364	2,061,368	1,650,161	1,219,951
1499 (g)	Natural resources revolving services	0	0	28,265	382,206	1,276,710
	Contributions and intergovernmental receipts:					
1505	Donations - private or community donations	2,820,712	3,600,714	1,945,814	3,037,234	2,822,028
	Federal receipts -					
1510 (a)	Health grants	105,687,918	121,027,844	142,585,458	151,930,854	146,250,554
1511 (a)	National forest timber grants	0	1,429,654	2,089,031	2,329,509	2,637,899
1512 (a)	U.S. flood control grants	0	731,979	454,708	566,029	742,423
1513 (a)	Adjutant General grants	0	5,201,188	6,902,025	9,125,625	9,626,254
1514 (a)	Environmental grants	0	51,164,640	47,481,460	66,901,172	57,231,957
1515 (a)	Education grants	348,018,087	371,849,808	388,479,231	383,864,074	412,821,223
1520 (a)	Public assistance grants	1,754,281,591	1,922,580,119	2,083,534,317	2,176,156,876	2,146,446,705
1525 (a)	Recreational grants	307,263	227,824	245,611	71,576	170,407
1530 (a)	Construction grants	0	0	8,895	20,416	0
1535 (a)	Other grants	199,781,172	264,120,049	233,459,212	216,966,701	180,194,048
1550 (a)	Federal reimbursements	404,400,915	470,988,988	529,882,164	455,062,633	479,041,135
1560 (a)	Interagency receipts	67,354,082	76,249,363	32,224,873	42,941,505	36,016,034
1565 (a)	Defaulted loan buyouts and advances	28,167,914	24,057,216	19,938,448	29,592,325	32,168,856
1569 (a)	Other miscellaneous receipts - federal	83,634,848	86,212,336	96,429,846	82,960,776	86,701,369
	Other contributions and Intergovernmental receipts (nonfederal) -					
1570 (g)	Interagency receipts	15,275,642	18,036,527	71,866,488	76,089,182	84,746,397
1585	Other contributions or intergovernmental receipts	122,550,310	10,294,011	16,173,361	17,191,651	15,266,800
	Interest, penalties, and unclaimed properties:					
1605	Time deposit and U. S. securities interest	0	0	0	0	0
1615 (b)(e)(h)(i)(l)(o)(p)	Time deposit interest	16,207,010	11,044,383	10,366,210	19,029,812	20,962,339
1620	U. S. securities interest - OASDHI	0	0	0	0	0
1625 (b)(e)(h)(i)(l)(o)(p)	U. S. securities interest	28,031,548	39,762,843	88,456,393	121,344,290	147,349,274
1630	Delinquent taxes interest	43,707	28,830	93,189	52,350	63,546
1637	Interest on loans	201,503	246,691	291,209	326,308	485,462
1640 (b)(e)(h)(i)(p)	Other interest	551,865	4,708,672	1,150,393	741,911	903,077
1645	Penalties - penalties and court awards	5,300,573	10,708,865	11,206,759	7,789,762	8,334,746
1650	Estates	450,208	840,417	417,470	407,884	251,658
1655	Sheriff's sale	684	0	0	0	0
1660	Receiverships	0	0	0	0	0
1665	Other unclaimed properties	11,158,400	11,272,869	15,422,817	16,594,852	21,251,390
	Refunds:					
1700 (f)	Salary refunds	461,426	453,407	476,461	546,423	551,879
1705 (f)	Old age assistance pension refunds	0	57,488	0	0	0
1710 (f)	General relief pension refunds	5,812,391	6,089,484	5,523,552	6,037,376	4,821,368
1715 (f)	Aid to Disabled pension refunds	0	0	0	66	0
1720 (f)	Blind pension refunds	1,842	4,890	1,214	1,130	10,660
1725 (f)	Dependent children pension refunds	460,987	460,606	460,594	558,368	580,810
1730 (f)	Day care refunds	31,692	40,201	75,387	33,959	54,590
1735 (f)	Medicare - medicaid refunds	38,254,446	46,989,785	69,785,994	67,635,106	72,917,011

Schedule 2

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Object Code	Type of Revenue	Year Ended June 30, 1993	1994	1995	1,996	1,997
1740 (f)	Cost in criminal cases refunds	87,602	72,126	81,383	117,075	129,811
1745 (f)	Vendor refunds	2,613,239	2,067,542	2,109,566	1,968,432	1,609,854
1750 (f)	Refunds from political subdivisions	1,049,940	260,255	443,425	352,954	102,623
1755 (f)	School refunds	3,564,200	3,305,430	4,220,711	4,647,105	7,389,300
1760 (f)	Miscellaneous highway department refunds	2,440,722	3,891,660	4,924,902	3,433,944	2,552,507
1765 (f)	Other refunds	6,064,792	9,773,595	26,126,303	27,213,983	46,884,752
1780 (f)	Cost reimbursements	18,191,134	0	0	0	0
1781 (f)	Recovery costs	56,651,344	0	0	0	0
1785 (f)	State employee expense reimbursement	6,547	0	0	0	0
	Miscellaneous receipts:					
1800 (k)	Outlawed checks	2,141,727	2,143,720	2,514,083	3,066,896	2,509,511
1805 (j)	Redeposit of investment principal	8,542,618	8,129,435	9,173,790	15,113,621	11,725,349
1807 (m)	Redeposit of loan principal	35,134,083	43,744,746	2,218,108	2,873,778	43,399,046
1809	Telephone commissions	0	1,547,577	3,643,002	11,740,727	9,750,416
1810 (e)(l)	Other miscellaneous receipts	22,137,454	25,787,440	24,384,335	25,586,715	21,744,319
1815	State tax account	245	0	0	0	0
1816	Inmate housing receipts	0	0	29,566	104,924	286,226
1817 (f)	State employee expense reimbursement	0	4,071	351	64,967	(57,612)
1818 (f)	Recovery costs	0	59,826,554	58,408,055	73,018,033	79,669,143
1819 (f)	Cost reimbursements	0	21,201,701	33,632,944	19,144,309	18,379,206
1820 (e)	Bond account	4,208,153	4,124,916	4,468,629	3,838,980	4,057,167
	Total Revenues	9,734,727,550	10,580,183,948	11,892,905,794	12,308,495,799	13,225,697,550
	Exclusions:					
(a)	Federal funds	(3,178,136,597)	(3,594,283,375)	(3,797,488,737)	(3,735,783,710)	(3,779,001,902)
(b)	Proposition C sales and use tax/interest	(471,679,863)	(513,153,057)	(548,964,482)	(576,183,322)	(602,196,870)
(c)	Proposition A gas tax and license fee increases	(137,042,405)	(143,585,594)	(156,801,130)	(160,030,224)	(162,129,652)
(d)	Bond sales	(35,000,000)	(29,949,105)	(105,219,799)	0	(160,000,000)
(e)	Lottery	(144,807,664)	(209,696,849)	(238,682,696)	(236,950,218)	(236,881,512)
(f)	Refunds	(135,673,961)	(154,302,548)	(206,145,032)	(204,633,534)	(235,517,160)
(g)	Interagency sales and receipts	(62,749,254)	(69,637,141)	(128,798,825)	(142,587,051)	(166,167,508)
(h)	Soil and water sales and use tax/interest	(25,098,844)	(27,059,262)	(29,269,758)	(30,441,529)	(31,336,514)
(i)	Parks sales and use tax/interest	(24,098,248)	(26,168,785)	(28,312,673)	(29,881,640)	(31,227,984)
(j)	Redeposit of investment principal	(8,542,618)	(8,129,435)	(9,173,790)	(15,113,621)	(11,725,349)
(k)	Outlawed checks	(2,132,691)	(2,132,234)	(2,507,656)	(3,061,127)	(2,501,963)
(l)	Alternative Care Trust Fund	(8,593,118)	(8,500,562)	(9,499,054)	(9,451,184)	(9,379,131)
(m)	Redeposit of loan principal	(35,134,083)	(43,744,746)	(2,218,108)	(2,873,778)	(43,399,046)
(n)	Amendment 8 motor fuel tax to local governments	0	(81,448,876)	(109,921,832)	(118,268,947)	(139,026,185)
(o)	Bingo	0	(6,268,952)	(6,253,704)	(4,684,178)	(4,615,579)
(p)	Riverboat Gambling	0	(1,128,642)	(69,224,542)	(122,027,715)	(150,324,332)
	Total Revenues after Exclusions	5,466,038,204	5,660,994,785	6,444,423,976	6,916,524,021	7,460,266,863
	Less expenditure refunds (Schedule 3)	(455,104,259)	(457,955,391)	(492,184,519)	(529,587,538)	(551,530,604)
	Total State Revenues (TSR) (As Calculated by State Auditor's Office)	$ 5,010,933,945	5,203,039,394	5,952,239,457	6,386,936,483	6,908,736,259

Schedule 3

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF EXPENDITURE REFUNDS, BY TYPE

Object Code	Type of Expenditure Refund	Year Ended June 30, 1993	1994	1995	1996	1997
2530	Expense and equipment - miscellaneous refunds	$ 3,758,535	1,834,774	1,276,309	1,521,137	7,718,935
2905	Sales tax refunds	17,230,986	16,499,420	17,392,843	15,387,532	23,709,060
2910	Motor vehicle sales tax refunds	907,544	975,312	1,499,726	1,400,723	1,552,623
2915	Motor vehicle use tax refunds	472,354	655,946	736,243	614,653	666,653
2920	Conservation sales tax refunds	27,688	29,693	45,572	42,724	47,510
2925	Boat tax refunds	3,993	4,811	6,848	10,025	8,827
2930	Individual tax refunds	294,874,634	305,451,146	315,882,653	359,807,319	358,940,695
2935	Senior citizens tax refunds	19,875,342	19,437,297	19,366,149	19,089,661	20,307,479
2940	Corporation tax refunds	69,681,324	64,431,486	73,161,723	64,612,413	72,489,256
2945	Franchise tax refunds	3,767,323	4,409,718	5,572,591	5,041,392	4,165,018
2950	Regular fuel tax refunds	16,907,064	16,482,925	18,031,576	15,029,407	12,975,589
2955	Special fuel (non-gasoline) tax refunds	13,551,538	13,775,971	19,038,400	19,840,175	25,967,303
2960	Inheritance tax refunds	942,080	1,244,613	1,165,379	1,444,205	1,649,218
2965	Motor vehicle license fee refunds	395,146	561,163	633,366	791,461	608,659
2970	Drivers license fee refunds	53,700	69,415	94,408	106,726	102,504
2975	Other tax refunds	8,209,617	8,624,351	12,712,765	17,337,825	12,677,706
2980	Miscellaneous refunds	4,445,391	3,467,350	5,567,968	7,510,160	7,943,569
	Total Expenditure Refunds	$ 455,104,259	457,955,391	492,184,519	529,587,538	551,530,604

BACKGROUND, METHODOLOGY, AND CONCLUSIONS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

Formula

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

Revenue limit for FY 19XX	= TSR in FY 1981 / CY 1979 Missouri personal income (MPI) x	The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 19XX or Average MPI for three CYs preceding FY 19XX.

The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U. S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows:

$$\frac{2{,}232.204096}{39{,}581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo 1996, which was effective on July 1, 1981. In past years the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. The Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

Composition of Total State Revenues

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

A. Federal Funds

Article X, Section 17 specifically excludes federal funds.

B. Proposition C Sales and Use Tax\Interest

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

C. Proposition A Gas Tax and License Fee Increases

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by four cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded.

D. Bond Sales

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR. Based on the attorney general opinion and the fact that bond proceeds are not revenue from an accounting standpoint, bond proceeds are excluded.

E. Lottery

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

F. Refunds

From an accounting standpoint, refunds received due to the overpayment of obligations by the state, as identified by certain revenue object codes, are not revenue and are excluded.

G. Interagency Sales and Receipts

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue object codes, are excluded.

H. Soil and Water Sales and Use Tax\Interest
and
I. Parks Sales and Use Tax\Interest

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

J. Redeposit of Investment Principal

From an accounting standpoint, the redeposit of investment principal, which has a specific object code, is not revenue and is excluded.

K. Outlawed Checks

From an accounting stand point, outlawed checks, which are state checks that were not cashed by the payee within the time allowed, hence they are redeposited in the state treasury, are excluded.

L. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo 1994. The Division of Family Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

M. Redeposit of Loan Principal

From an accounting standpoint, redeposits of loan principal under the Wastewater Loan Program are not revenue and are excluded.

N. Amendment 8 Motor Fuel Tax to Local Governments

In August 1992, the voters approved an amendment to Article IV, Section 30(a) which revised the apportionment of the motor fuel tax. In addition, the amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded.

O. Bingo

The August 1992 amendment to Article III, Section 39(d) related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo 1994 requires the bingo tax to be deposited

in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

P. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the Missouri Constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the Missouri Constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

The OA-BP has excluded certain Gaming Commission Fund revenues from TSR asserting that half of a $2 admission fee and a reimbursement for public protection costs paid by gaming licensees received voter approval in 1992 under House Bill 149. However, the legislature repealed House Bill 149 and enacted new, and significantly different laws in Senate Bills 10 and 11 that were not submitted to voters for approval. The amount and purpose of the admission fee was changed and the scope and nature of the reimbursement charges were changed. The Gaming Commission Fund to which these charges are allocated did not even exist under House Bill 149.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et al., Slip Op. No. 80251. The Missouri Supreme Court did not rule on the trial court's decision that revenue from one dollar of the state imposed two dollar admission fee to gaming riverboats that is deposited in the state treasury and appropriated is included in TSR. The Missouri Supreme Court also did not rule on the trial court's decision that revenue from payments to the state to recoup public safety and regulatory enforcement costs related to gaming riverboats that is deposited in the state treasury and appropriated is included in TSR. The Supreme Court did not rule on these issues because OA-BP failed to file a cross-appeal. OA-BP filed a late appeal, further contesting the trial court's decision in favor of the State Auditor's Office's (SAO) position. On November 24, 1998, the Missouri Court of Appeals, Western District entered its decision, now final, in Kelly v. Hanson, et. al., Slip Op. No. 55438. The Missouri Court of Appeals, Western District ruled that revenue from the one

dollar of the state imposed two dollar admission fee is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR.

Expenditure Refunds

According to Article X, Section 17(1), total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

This report is intended for the information of the office's management and other applicable state government officials. However, this report is a matter of public record and its distribution is not limited.

APPENDIX

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996*)

TAXATION

Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

Section 17. Definitions. As used in sections 16 through 24 of Article X:

(1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.

(2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.

(3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized. (a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata

based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e).1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees"means any law or laws passed by the general assembly after the effective date of this section that increase the rate of any existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri

supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

Section 19. Limits may be exceeded, when, how. The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

Section 20. Limitation on state expenses. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding. The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds. (a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter of self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

Section 23. Taxpayers may bring actions for interpretations of limitations. Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivisions shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

Section 24. Voter approval requirements not exclusive-- self-enforceability. (a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

* The 1996 amendment added Section 18(e).

* * * * *

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OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

JASPER COUNTY, MISSOURI
COUNTY COLLECTOR

PERIOD JANUARY 1, 1998 TO
OCTOBER 16, 1998

MARGARET KELLY, CPA

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Report No. 99-09
January 7, 1999

JASPER COUNTY, MISSOURI
COUNTY COLLECTOR

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

To the County Commission
and
County Collector
Jasper County, Missouri

We have audited the acco mpanying statement of revenues and expenditures of the County Collector's Fund of Jasper County, Missouri, for the period January 1, 1998 to October 16, 1998, as identified in the table of contents. This statement is the responsibility of the County Collector. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of revenues and expenditures referred to in the first paragraph presents fairly, in all material respects, the revenues and expenditures of the County Collector's Fund of Jasper County, Missouri, for the period January 1, 1998 to October 16, 1998, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 15, 1998, on our consideration of the County Collector's internal control over financial reporting and on our tests of his compliance with certain provisions of laws, regulations, and contracts.

Margaret Kelly

Margaret Kelly, CPA
State Auditor

December 15, 1998

STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the County Commission
and
County Collector
Jasper County, Missouri

We have audited the statement of revenues and expenditures of the County Collector's Fund of Jasper County, Missouri, for the period January 1, 1998 to October 16, 1998, and have issued our report thereon dated December 15, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the statement of revenues and expenditures of the County Collector's Fund of Jasper County, Missouri, is free of material misstatement, we performed tests of the County Collector's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the statement of revenues and expenditures of the County Collector's Fund of Jasper County, Missouri, we considered the County Collector's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of revenues and expenditures and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the financial statement being audited may occur

and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the County Collector and the management of Jasper County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Margaret Kelly, CPA
State Auditor

December 15, 1998

FINANCIAL STATEMENT

Exhibit

JASPER COUNTY, MISSOURI
COUNTY COLLECTOR'S FUND
STATEMENT OF REVENUES AND EXPENDITURES

		Period January 1, 1998, to October 16, 1998
REVENUES		
Property taxes	$	4,331,563
Interest		42,387
Other		45,674
Less provision for uncollectible accounts		(1,068,855)
Net Revenues		3,350,770
EXPENDITURES		
State of Missouri		24,275
General Revenue Fund		80,720
Special Road and Bridge Fund		185,853
Special Road Districts		4,629
Fire Districts		72,125
Crowder College		1,252
Sheltered Facilities		71,959
Mental Health		71,959
Cities		165,649
Schools		2,352,965
Assessment Fund		14,520
County Clerk		4,895
County Employees Retirement Fund		26,992
Commissions and fees:		
General Revenue Fund		272,797
Other		180
Total Expenditures		3,350,770
REVENUES OVER EXPENDITURES	$	0

The accompanying Note to the Financial Statement is an integral part of this statement.

NOTE TO THE FINANCIAL STATEMENT

JASPER COUNTY, MISSOURI
COUNTY COLLECTOR
NOTE TO THE FINANCIAL STATEMENT

Summary of Significant Accounting Policies

The County Collector's Fund is an agency fund which is custodial in nature and does not involve measurement of results of operations.

The statement of revenues and expenditures for the period January 1, 1998 to October 16, 1998, reflects amounts as shown on the records of the County Collector on the modified accrual basis.

The County Collector had not yet been charged with 1998 current taxes as of October 16, 1998.

The statement included in this report does not include any of the operating costs of the County Collector's office other than commissions retained. Operating costs are paid from the General Revenue Fund of the county.

MANAGEMENT ADVISORY REPORT

JASPER COUNTY, MISSOURI
COUNTY COLLECTOR
MANAGEMENT ADVISORY REPORT

We have audited the statement of revenues and expenditures of the County Collector's Fund of Jasper County, Missouri, for the period January 1, 1998 to October 16, 1998, and have issued our report thereon dated December 15, 1998.

A vacancy was created when Stephen H. Holt forfeited the office of County Collector on October 16, 1998. Art Wilson was appointed Jasper County Collector effective October 23, 1998.

Section 52.150, RSMo 1994, requires the state auditor to conduct an audit of the office of County Collector after being notified of a vacancy in that office. The county is responsible for paying for the cost of this audit.

Section 52.150, RSMo 1994, specifically outlines the state auditor's responsibilities as follows:

1. Determine the financial condition of the accounts of the office of the County Collector.

2. Determine the proper compensation that should have been paid to the replaced County Collector in the past three years and the compensation actually paid during such period; and

3. File a report of her findings with the county governing body and the person appointed to fill the vacancy in the office of the County Collector.

Section 52.150, RSMo 1994, provides the county commission shall accept the report of the state auditor and take, if necessary, certain specific actions if the state auditor finds any monies owing to the county or the past County Collector.

County Collector's Compensation

On August 19, 1993, the County Collector and County Commission entered into a written agreement with the City of Joplin for the collection of city property taxes. The original term of this agreement began on September 1, 1992 and provided for the County Collector to be compensated four percent of the total amount of taxes and penalties collected for the city less an assessment fee**.** The County Collector billed the city and was paid the following amounts for collection of city taxes:

Collector's Year Ended		Commissions Received
2/28/93	$	12,557
2/28/94		20,948
2/28/95		22,842
2/29/96		22,727
2/28/97		23,372
2/28/98		24,022
Total	$	126,468

The legality of this arrangement with the City of Joplin was questioned during 1998 based on Section 52.320.2, RSMo 1994, which limits the collector to $3,000 per year from all such contracts. A petition was filed in the Circuit Court by the Jasper County Prosecuting Attorney on August 28, 1998, charging the County Collector with conduct contrary to law by keeping payment from the City of Joplin in excess of $3,000 per year. On September 8, 1998, the County Collector reimbursed the Jasper County Treasurer $129,266 for commissions received in excess of $15,000 (5 years' commissions) plus interest of $17,798. On October 16, 1998, the Circuit Judge ordered the County Collector had forfeited his office for violation of receiving compensation other than allowed by law under Section 52.430, RSMo.

There is some question as to how much commission should have been allowed for the period under the contract. The County Collector collected city taxes from November 1992 through February 1998 (six tax years) under this contract. The statute allows the County Collector to be compensated $3,000 per year, but the term is not specified. The original contract with the City of Joplin began on September 1, 1992 and continued until March 31, 1993 and provided for a term of April 1 through March 31 for each succeeding year. Based on the worksheet provided by the county, the County Collector was not given credit ($3,000) for the 1997 tax year. As a result, it appears the County Collector is entitled to additional compensation of $3,000.

In addition to his commission for collection of city taxes, the County Collector was paid an annual salary of $38,000 established by the salary commission in 1988. Based on this annual amount, the Collector was also paid $23,750 for the period March 1, 1998 to October 16, 1998.

WE RECOMMEND the County Collector review the commissions allowed to be retained with the appropriate officials and determine if he is due an additional $3,000 in allowable compensation for collection of city taxes for the period November 1992 through February 1998.

AUDITEE'S RESPONSE

The County Collector stated he agrees with the interpretation that six tax years instead of five were involved and, if the $3,000 limit applies, he should get credit for $18,000 instead of $15,000. He contacted the County Counselor and will await the county's response. No action is planned at this time.

The County Counselor stated the county does not necessarily disagree with the State Auditor that the County Collector should have been given credit for six years of contracts with the city of Joplin since he completed the collections for the calendar years 1992-97, inclusive.

This report is intended for the information of the County Collector and the management of Jasper County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

WORTH COUNTY, MISSOURI

COUNTY COLLECTOR

PERIOD MARCH 1, 1998 TO OCTOBER 31, 1998

MARGARET KELLY, CPA

Report No. 99-08
January 6, 1998

WORTH COUNTY, MISSOURI
COUNTY COLLECTOR

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the County Commission
and
County Collector
Worth County, Missouri

We have audited the accompanying statement of revenues and expenditures of the County Collector's Fund of Worth County, Missouri, for the period of March 1, 1998 to October 31, 1998, as identified in the table of contents. This statement is the responsibility of the County Collector. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of revenues and expenditures referred to in the first paragraph presents fairly, in all material respects, the revenues and expenditures of the County Collector's Fund of Worth County, Missouri, for the period March 1, 1998 to October 31, 1998, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 10, 1998, on our consideration of the County Collector's internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

Margaret Kelly

Margaret Kelly, CPA
State Auditor

December 10, 1998

STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the County Commission
and
County Collector
Worth County, Missouri

We have audited the statement of revenues and expenditures of the County Collector's Fund of Worth County, Missouri, for the period March 1, 1998 to October 31, 1998, and have issued our report thereon dated December 10, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the statement of revenues and expenditures of the County Collector's Fund of Worth County, Missouri, is free of material misstatement, we performed tests of the County Collector's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the statement of revenues and expenditures of the County Collector's Fund of Worth County, Missouri, we considered the County Collector's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of revenues and expenditures and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the County Collector's ability to record, process, summarize, and report financial data consistent with the assertions of management in the statement of revenues and expenditures.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the statement of revenues and expenditures being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the County Collector and the management of Worth County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Margaret Kelly, CPA
State Auditor

December 10, 1998

FINANCIAL STATEMENT

Exhibit

WORTH COUNTY, MISSOURI
COUNTY COLLECTOR
STATEMENT OF REVENUES AND EXPENDITURES

		Period March 1, 1998 to October 31, 1998
REVENUES		
Property taxes	$	41,791
Interest		36
Other		5,307
Less provision for uncollectible accounts		(15,754)
Net Revenues		31,380
EXPENDITURES		
State of Missouri		171
General Revenue Fund		4,513
Special Road and Bridge Fund		5,173
Assessment Fund		248
Schools		17,732
Fire District		177
Ambulance District		551
Senior Citizens Services Fund		286
Nursing Home Fund		127
County Clerk		185
County Employees' Retirement		927
Commissions and fees:		
General Revenue Fund		1,290
Total Expenditures		31,380
REVENUES OVER EXPENDITURES	$	0

The accompanying Note to the Financial Statement is an integral part of this statement.

Financial Statements

WORTH COUNTY, MISSOURI
COUNTY COLLECTOR
NOTE TO THE STATEMENT OF REVENUES AND EXPENDITURES

Summary of Significant Accounting Policies

The County Collector's Fund is an agency fund which is custodial in nature and does not involve measurement of results of operations.

The statement of revenues and expenditures for the period March 1, 1998, to October 31, 1998, reflects amounts as shown on the records of the County Collector on the modified accrual basis.

The County Collector had not yet been charged with the 1998 current taxes as of October 31, 1998.

The statement included in this report does not include any of the operating costs of the County Collector's office other than commissions retained. Operating costs are paid from the General Revenue Fund of the county.

MANAGEMENT ADVISORY REPORT

WORTH COUNTY, MISSOURI
COUNTY COLLECTOR
MANAGEMENT ADVISORY REPORT

We have audited the statement of revenues and expenditures of the County Collector's Fund of Worth County, Missouri, for the period March 1, 1998, to October 31, 1998, and have issued our report thereon dated December 10, 1998.

A vacancy in this office was created by the death of Connie Saville on October 31, 1998. Carol Ann Kerwin was appointed Worth County Collector effective November 20, 1998.

Section 52.150, RSMo 1994, requires the state auditor to conduct an audit of the office of County Collector after being notified of a vacancy in that office. The county is responsible for paying for the cost of this audit.

Section 52.150, RSMo 1994, specifically outlines the state auditor's responsibilities as follows:

1. Determine the financial condition of the accounts of the office of the County Collector.

2. Determine the proper compensation that should have been paid to the replaced County Collector in the past three years and the compensation actually paid during such period; and

3. File a report of her findings with the county governing body and the person appointed to fill the vacancy in the office of the County Collector.

Section 52.150, RSMo 1994, provides the county commission shall accept the report of the state auditor and take, if necessary, certain specific actions if the state auditor finds any monies owing to the county or the past County Collector. The County Collector received $17,750 annually during the three years ended February 28, 1998, and $11,833 for the period March 1, 1998 to October 31, 1998, in accordance with statutory provisions.

Accounting Controls and Procedures

Receipts were not always deposited intact and on a timely basis. The County Collector withheld cash from deposits to maintain a change fund that fluctuated between $80 and $90. The change fund was deposited at the end of the month and then cash was withheld from the next month's receipts to establish the fund again.

In addition, the County Collector occasionally held monies received when additional amounts for interest and penalties were due from the taxpayer. When the total amounts were finally received, the monies were deposited. In some instances, the County Collector did not deposit checks received if requested by the taxpayer but issued a paid tax receipt. When the taxpayer returned later in the month with cash, the check was returned to the taxpayer and the cash deposited.

WE RECOMMEND the County Collector deposit all monies received intact daily or when amounts exceed $100. If a change fund is needed, it should be established and maintained at a constant amount.

AUDITEE'S RESPONSE

The current County Collector Kerwin indicated she has implemented this recommendation.

This report is intended for the information of the County Collector and the management of Worth County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

WORTH COUNTY, MISSOURI
COUNTY COLLECTOR
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Worth County Collector on recommendations made in the Management Advisory Report (MAR) of our report on Worth County issued for the three years ended December 31, 1997.

1. County Collector's Accounting Controls and Procedures

   A. The method of payment was not marked on tax receipts.

   B. Receipts were not always deposited intact and on a timely basis. The County Collector did not deposit checks received from taxpayers owing additional interest and penalties until the balance due was received. Some checks were held after a paid tax statement was issued.

   Recommendation:

   The County Collector:

   A. Ensure the method of payment is indicated on all tax receipts or other records. The cash, checks, and money orders received per the tax receipts or other records should be reconciled to the composition of bank deposits.

   B. Deposit all monies received intact daily. If a change fund is needed, it should be established and maintained at a constant amount.

   Status:

   A. Implemented.

   B. Not implemented. See MAR.

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OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

SPECIAL REVIEW OF
NEWTON COUNTY, MISSOURI
COURTHOUSE RENOVATION PROJECT
1996 - 1998

MARGARET KELLY, CPA

Report No. 99-07
January 6, 1999

SPECIAL REVIEW OF
NEWTON COUNTY, MISSOURI
COURTHOUSE RENOVATION PROJECT

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

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County Commission of Newton County, Missouri

We have conducted a special review of the courthouse renovation project of Newton County, Missouri, 1996 to 1998. The objectives of this review were to:

1. Investigate the suspected over billing by a courthouse renovation project contractor.

2. Determine the amount of over billing.

3. Review and evaluate contracts between the county and contractors performing work on the courthouse renovation project.

4. Review and evaluate the county's compliance with purchasing requirements and other relevant laws and procedures related to the courthouse renovation project.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records, contracts, and other pertinent procedures and documents.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations arising from our special review of the courthouse renovation project of Newton County, Missouri.

Margaret Kelly

Margaret Kelly, CPA
State Auditor

December 14, 1998

EXECUTIVE SUMMARY

SPECIAL REVIEW OF
NEWTON COUNTY, MISSOURI
COURTHOUSE RENOVATION PROJECT
EXECUTIVE SUMMARY

Newton County spent in excess of $1 million on a courthouse renovation project from 1996-1998, which was poorly planned and managed by the County Commission. The county did not develop any formal plans related to the renovation project. The County Commission entered into a verbal agreement with a local contractor, Roger Hulsey Enterprises, to serve as the general contractor on the project. The county agreed to reimburse the contractor for his material and labor costs plus a 10 percent commission. The county paid the contractor a total of $507,192 through September 1998 without requiring the contractor to provide documentation of his actual costs.

Based on a review of the work completed by the contractor, an independent construction management firm hired by the Sheriff estimated the contractor may have over billed the county $141,497. We reviewed the financial records of the contractor and based on those records, it appears the contractor over billed the county at least $74,701. Many of the invoices were not clear as to whether they related to the courthouse renovation project, and over $100,000 of $545,000 of invoices which, might have identified additional over billing by the contractor were not available from the contractor. The contractor was unable to provide any worksheets or documentation of how the billings were calculated. It also appears that while the County Commission paid the contractor a wage rate in excess of the prevailing wage rate the contractor did not always pay his labor at the prevailing wage rate.

Our prior audit report of Newton County, for the three years ended December 31, 1996, indicated the county had not solicited bids on $250,000 of renovation work performed by the contractor and other vendors hired directly by the county. Although the County Commission indicated it would make an effort to comply with purchasing requirements, significant deficiencies were again noted during the review of the courthouse renovation project.

MANAGEMENT ADVISORY REPORT

Newton County Courthouse Renovation Concerns

Newton County began renovating its courthouse in 1995 after the completion of the new Sheriff's Department and Jail Facility. The third floor of the courthouse contained the old jail which was relocated to the new facility. The County Commission began informal plans of converting the old jail to new office space in early 1995. Through September 1998, the county had spent in excess of $1 million on the courthouse renovation project.

The county entered into a verbal agreement with a local contractor, Roger Hulsey Enterprises, to serve as the general contractor for the renovation project in early 1996. Payments to this contractor total $507,192 through September 30, 1998. In June 1998, the Sheriff was advised by the Prosecuting Attorney of possible over billings by the contractor. On September 10, 1998, the County Commission terminated the work authorization agreement with the contractor. The Sheriff initiated an investigation of the courthouse renovation project and in September 1998, requested the State Auditor's office to assist in reviewing the records. During our review of the project, the following areas of concern were noted related to the county's agreement and payments to the contractor:

A. The Sheriff hired a construction management firm to review the work performed by the contractor and provide an estimate of the costs incurred by the contractor based on industry standards. According to the construction report prepared by the construction management firm, the value of the work performed by the contractor was estimated at $365,695. Based on billings paid of $507,192, the firm estimated the contractor overbilled the county by approximately $141,497.

   We reviewed the financial records of the contractor during the time of the renovation project. Based on our review of the contractor's records, it appears the contractor accounted for all of his construction activity in his construction account. During the project period, the contractor deposited approximately $548,000 in this account (including $507,192 in county payments). The difference represented revenue from jobs other than the courthouse project and interest. During this same time period, the contractor made disbursements totaling $545,154 from this construction account.

   We reviewed these disbursements and attempted to identify which amounts were spent on the courthouse project. Based on this review, it appears the contractor over billed the county at least $74,701 as follows:

Total disbursements	$545,154
Expenditures unrelated to the courthouse	(151,980)
Maximum courthouse renovation costs	$393,174
Plus Contractor fee (10%)	39,317
Maximum courthouse renovation costs and fee	$432,491
Total billed by contractor	507,192
Minimum over billed	$ 74,701

It appears one method of overbilling related to labor costs. The contractor stated he billed the county at $25 per hour, but he paid his two main subcontractors substantially less ($10 or $15 per hour). Based on actual wage payments to these two individuals, it appears the contractor over billed the county approximately $67,200 for these two subcontractors.

Many invoices were not clear as to whether they were related to the courthouse renovation project and invoices related to some of the vendors, totaling over $100,000 were not available from the contractor. These amounts were included in the maximum courthouse costs above, although it appears some of the disbursements could have been unrelated to the courthouse project. In addition, all of the actual payroll costs have been included as courthouse costs, although the contractor had other construction projects ongoing at the time. Therefore, the actual amount overbilled is most likely larger.

Information regarding these over billings has been turned over to law enforcement officials.

B.1. The County Commission did not enter into a formal written agreement with the contractor. According to the commission, the county verbally agreed to pay the contractor for his material and labor costs plus a 10 percent commission. This agreement was not mentioned in the commission minutes.

Written agreements provide the framework necessary to detail the services to be provided and the compensation to be paid. In addition, Section 432.070, RSMo 1994, prohibits a county from making a contract unless it is in writing. In addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party and should establish performance criteria which must be met prior to payment for work completed. Commission minutes should document approval of all agreements.

2. The invoices submitted to the county by the contractor were inadequate, providing little to no detail of the material and labor costs incurred by the contractor. In addition, the invoices did not include any calculation of the contractor's fee. As noted above, the county verbally agreed to pay the contractor for his costs plus a 10 percent commission.

The County Commission stated they requested the contractor provide additional detail of the amounts billed; however, they noted they did not insist on the detail to substantiate the amounts claimed. The County Commission exercised extremely

poor oversight responsibility of this contractor by allowing the billing practice to continue for over two and one half years, and making payments totaling $507,192.

Adequate supporting documentation is necessary to substantiate the validity and propriety of the amounts claimed by the contractor for his material and labor costs. Given the lack of detail noted on the invoices, reasonableness and propriety of the amounts claimed by the contractor cannot be ensured. Considering the nature of the agreement, detailed time sheets of labor costs incurred and paid invoices for materials purchased by the contractor should have been required to support the amounts claimed by the contractor.

3. The County Commission indicated they had informed the contractor that prevailing wages were required to be paid on the courthouse renovation project. However, the county did not require the contractor to provide supporting documentation of wages paid to ensure the requirement had been met. It appears the contractor did not pay prevailing wages on some of the labor on the project although he billed the county at a rate in excess of the prevailing wage.

   Section 290.250, RSMo 1994, requires the prevailing wage to be paid to all workers employed by or on behalf of any public body, who performs construction work projects other than routine maintenance. While it is the contractor's duty to pay the wages, the county did not monitor the wages paid by the contractor to ensure the prevailing wage requirement had been met.

C. The County Commission did not develop any formal plans related to the courthouse renovation project. According to the commission, informal plans were developed at the beginning of each office based on the office holder's needs. The commission stated they maintained complete control of the project in this manner. Considering the size and the costs of the project (approximately $1 million), the county should have solicited the services of a professional engineering firm to draw formal plans that could have been utilized to properly bid the various aspects of the project. In addition, an engineering firm could have monitored the progress of the project, ensured the quality of the work, and approved the billings.

D. As noted in our prior audit report of Newton County for the three years ended December 31, 1996, the county did not solicit bids on over $250,000 of the remodeling work. Subsequent to this, it appears the county did solicit bids for some of the courthouse renovation project work performed. Some evidence of bids was noted for the heating and cooling system improvements and the replacement of windows on the third floor of the courthouse. However, the county did not solicit or document bids for the following significant areas:

Roger Hulsey Enterprises	$507,192
Electrical work	134,643
Cabinets and wood products	123,402
Elevator extension	48,850
Concrete work	10,563

Section 50.660, RSMo Cum. Supp. 1996, requires the advertisement for bids for all purchases of $3,000 or more, and the solicitation of bids for purchases greater than

$1,000 from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder.

In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence of compliance with the county's established purchasing procedures and statutory requirements. Documentation of bids should include, at a minimum, a listing of vendors/contractors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, if applicable, a copy of all bids received, the basis and justification for awarding the bid, and documentation of all discussions with vendors.

WE RECOMMEND the County Commission:

A. Continue to work with law enforcement officials regarding any criminal prosecution and obtain restitution for over billings.

B.1. Enter into written agreements for all services which detail all duties to be performed and the compensation to be paid.

2. Ensure adequate supporting documentation is submitted to substantiate amounts claimed for actual costs incurred by the contractor.

3. Ensure prevailing wage is paid on all construction projects as required by law.

C. Ensure major construction projects are properly planned and monitored.

D. Solicit bids for purchases in accordance with Section 50.660, RSMo. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

AUDITEE'S RESPONSE

A. The County Commission will continue to work and co-operate with law enforcement officials.

B.1. This will be done and the County Commission wishes it had been done in this instance.

2. The County Commission typically reviews invoices much more thoroughly and will do this in the future.

3. The County Commission told the contractor he needed to pay prevailing wage and believed he billed them for it. The commission gave the contractor the related prevailing wage paperwork.

C. The County Commission used drawings, prepared by a retired architect, in conjunction with each officeholder.

D. *The County Commission said it did get quotes for cabinets from some other vendors, but the vendors were too small and could not supply the volume needed. The county now has a purchasing agent or manager who has implemented many new procedures and controls. Overall, the commission believes the work completed needed to be done and was of good quality.*

This report is intended for the information of the county's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

CITY OF SHELDON, MISSOURI

YEAR ENDED DECEMBER 31, 1997

MARGARET KELLY, CPA

Report No. 99-06
January 6, 1999

CITY OF SHELDON, MISSOURI

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
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To the Honorable Mayor
and
Members of the Board of Aldermen
City of Sheldon
Sheldon, Missouri 64784

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Sheldon, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1997. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the city.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Sheldon, Missouri.

Margaret Kelly, CPA
State Auditor

December 9, 1998

HISTORY AND ORGANIZATION

CITY OF SHELDON, MISSOURI
HISTORY AND ORGANIZATION

The city of Sheldon is located in Vernon County. The city was incorporated in 1881 and is currently a fourth-class city. The population of the city in 1990 was 464.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31 1997, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31, 1997	Bond
Marilyn Overman, Mayor	April 1999	$ 360	$
Tim Bern, Alderman	April 1999	120	
Arthur Sewell, Alderman (1)	April 1999	80	
John Kirby, Alderman (2)	April 1998	120	
Randy Henry, Alderman (3)	April 1998	120	
Tonia Hacker, Collector (4)	April 1999	1,463	10,000
Other Principal Officials			
Anna Maye Cole, City Clerk		12,315	10,000
Marie McWilliams, City Treasurer (5)		100	
Vacant, Chief of Police (6)		-0-	
Ron Fisk, City Attorney		10,453	
Kirk Davisson, City Building Inspector (7)		-0-	

(1) Debbie Eads served as Alderwoman prior to April 1997.

(2) Replaced by Gary Biddlecome who was elected in April 1998.

(3) Re-elected in April 1998; but Curt Bowman was appointed in August 1998 to replace Randy Henry because he moved out of the city in May 1998.

(4) Dorothy Mundy served as City Collector prior to July 1997.

(5) Tonia Hacker was appointed City Treasurer on June 8, 1998.

(6) Prior to April 3, 1997, the city had an elected city marshal but this position was abolished by voter approval. Charles Steele Jr. was appointed Chief of Police on June 5, 1997, and he served until August 31, 1997. Eric Maus served as acting Chief of Police between August 31, 1997 and December 2, 1997, when he left employment with the city. The position was vacant until July 14, 1998, when Eric Maus returned and was appointed Chief of Police. The city currently pays the Chief of Police a monthly salary of $1,440.

(7) Kirk Davisson was appointed Building Inspector on May 8, 1997. He served as City Marshal prior to April 3, 1997.

In addition to the officials listed above, the city has approximately four full-time and two part-time employees.

Assessed valuation and tax rate information for 1997 are as follows:

ASSESSED VALUATION

	1997
Real estate	$ 1,175,277
Railroad and utility	234,358
Personal property	453,615
Total	$ 1,863,250

TAX RATES PER $100 ASSESSED VALUATION

General	$ .50
Street lights	.16
Debt service	.85
Total	$ 1.51

The city has a general sales tax of one percent of retail sales within the city.

A summary of the financial activity for the city of Sheldon for the year ended December 31, 1997, is presented on the next page.

		General Fund*	Gas Tax Fund	Fire Department Fund	Park Fund	Traffic Fund	COPS Grant Fund	Total
RECEIPTS								
Property taxes	$	31,843	0	0	0	0	0	31,843
Sales taxes		17,017	0	0	0	0	0	17,017
Interest		1,649	562	0	0	28	0	2,239
Motor fuel and motor vehicle fees		0	17,909	0	0	0	0	17,909
Water, sewer, and trash fees		115,213	0	0	0	0	0	115,213
Fines and court costs		0	0	0	0	8,819	0	8,819
Franchise taxes		7,279	0	0	0	0	0	7,279
City licenses		325	0	0	0	0	0	325
Grant proceeds		0	0	0	0	0	47,693	47,693
Donations and fund raising		0	0	4,903	1,247	328	0	6,478
Transfers and other		12,462	0	0	0	1,453	0	13,915
Total Receipts		185,788	18,471	4,903	1,247	10,628	47,693	268,730
DISBURSEMENTS								
Salaries and fringe benefits		54,480	0	0	0	0	44,298	98,778
Telephone		2,378	0	0	0	0	0	2,378
Park, library, and fire		4,477	0	4,614	5,239	0	0	14,330
Garbage hauling		6,354	0	0	0	0	0	6,354
Equipment		3,200	0	0	0	0	0	3,200
Gasoline and oil		6,508	0	0	0	0	0	6,508
Vehicle repairs		1,479	0	0	0	0	0	1,479
Utilities		12,823	0	0	0	0	0	12,823
Insurance		11,272	0	0	0	0	0	11,272
Collector's commission		1,463	0	0	0	0	0	1,463
Water and sewer supplies		13,125	0	0	0	0	0	13,125
Building materials and maintenance		9,411	0	0	0	0	0	9,411
Attorney services		10,453	0	0	0	0	0	10,453
Fire barn lease/purchase		6,185	0	0	0	0	0	6,185
Office supplies		1,678	0	0	0	0	0	1,678
Bond principal and interest		13,408	0	0	0	0	0	13,408
Police expense		9,075	0	0	0	9,514	842	19,431
Streets		0	19,729	0	0	0	0	19,729
Other		6,734	0	0	0	0	0	6,734
Total Disbursements		174,503	19,729	4,614	5,239	9,514	45,140	258,739
RECEIPTS OVER (UNDER) DISBURSEMENTS		11,285	(1,258)	289	(3,992)	1,114	2,553	9,991
CASH, JANUARY 1, 1997		39,449	13,136	159	4,830	106	15,320	73,000
CASH, DECEMBER 31, 1997	$	50,734	11,878	448	838	1,220	17,873	82,991

* The General Fund includes activity for the following accounts:
General, Street Lights, Water and Sewer, Street Bond, Sales Tax, Interest, Dog Tag, and Community Building.

MANAGEMENT ADVISORY REPORT

CITY OF SHELDON, MISSOURI
SUMMARY OF FINDINGS

1. Community Oriented Policing Services (COPS) Grants (pages 10-11)

   It appears the city owes the federal government approximately $50,000 for excess reimbursements received. Quarterly financial reports for the COPS grants are not accurately prepared and the city has overstated the amount of allowable grant expenses.

2. Financial Records (pages 11-12)

   The city does not properly account for some revenues which are restricted for specific uses and does not properly allocate expenses to the various funds.

3. Budgets and Financial Reporting (pages 12-14)

   Improvements are needed in the city's budgeting documents and procedures. The city publishes annual financial statements while state law requires publication of semiannual statements. The city does not obtain annual audits of the combined waterworks and sewer system as required by state law.

4. Expenditures (pages 14-17)

   The city has no formal bidding policy. Improvements are needed regarding payment procedures. Some questionable transactions were noted between the city and the City Building Inspector. The city allows employees to use the city's phone for personal use but does not ensure that all personal calls are reimbursed to the city. Forms 1099-Miscellaneous are not filed as required.

5. City Utilities (pages 18-21)

   Accounting and bookkeeping duties are not adequately segregated. Utility billings cannot be reconciled to payments received and amounts remaining unpaid. Gallons of water billed to customers is not reconciled to gallons of water pumped by the city. Meter deposits are not identified within the General Fund, and some cash refunds are given for meter deposits. Water and sewer hook-up fees are not established by ordinance or written policy.

6. Accounting Controls and Procedures (pages 21-23)

   Receipts are not reconciled to deposits. Bank reconciliations are not prepared for some bank accounts. Improvements are needed regarding the city’s petty cash fund. The Mayor signs checks but is not bonded. The City Collector also serves as City Treasurer and the city should consider appointing a separate individual as treasurer. Voided checks are not retained. Improvements are needed in the records documenting rental of the community building. Checks are occasionally signed in advance by the Mayor or City Clerk.

7. Meetings, Minutes, and Records (pages 23-24)

Closed meetings are not always conducted or documented in accordance with state law. Board minutes are not signed. The city has not established a policy regarding public access to city records as required by state law.

8. Payroll and Personnel Matters (pages 24-26)

The duties and compensation of officials and employees and the City Clerk's term of office are not set by ordinance as required by state law. The city needs to evaluate whether it needs a building inspector and if necessary, establish the duties of the building inspector by ordinance. Time sheets are not prepared by some employees. The city should evaluate the duties and compensation of the City Clerk and determine whether she should be a full-time or part-time employee. A complete written personnel policy for all city employees has not been established. Records of vacation, sick leave, and compensatory time were not always accurate. State income taxes are not withheld from any wages or salaries paid by the city.

9. City Property (pages 26-28)

The city does not maintain inventory records for most city property. Usage and maintenance records are not maintained for most city vehicles and equipment. The city needs to maintain complete and accurate records of fuel pumped from its tank, and the city should reconcile fuel purchased to fuel used.

10 Property Tax Procedures (pages 28-29)

Tax book totals are not reviewed or verified by city officials and tax book additions and abatements are not approved by the Board of Alderman. The City Collector does not prepare annual reports summarizing taxes charged, taxes collected and delinquent taxes as required by state law. Delinquent property tax penalties are not charged in accordance with state law.

11. Traffic Violations Bureau (pages 29-31)

Receipt slips are not issued for some monies received and the method of payment is not always indicated on receipt slips. Accounting and bookkeeping duties are not adequately segregated. Traffic tickets were not properly accounted for and records of convictions on traffic offenses are not forwarded to the Missouri State Highway Patrol as required. Some court costs and fees are not charged or distributed in accordance with state law.

1. Community Oriented Policing Services (COPS) Grants

The city receives federal assistance from the U.S. Department of Justice under the COPS Universal Hiring and COPS Making Officer Redeployment Effective (MORE) programs. The COPS Universal Hiring program increases the number of law enforcement officers. The COPS MORE program allows for the purchase of law enforcement equipment to make officers' work more effective. The city normally employs four full-time officers, but two officers resigned in November 1998, and only two officers are currently employed. Our review of these grants noted the following concerns:

A. Based on city payroll records, the city spent approximately $141,500 for qualifying police salaries and benefits from May 1, 1995 through October 1, 1998. The city is required to provide 25 percent matching funds, so the city was entitled to receive $106,125 in grant reimbursements for these qualifying expenses; however, the city requested and received $156,511 in grant reimbursements. Therefore, it appears the city owes approximately $50,000 to the Department of Justice for excess reimbursements received through October 1, 1998.

The city opened a separate bank account for the COPS Grant Fund. Grant reimbursements are deposited into this account, and police salaries are paid from this account. However, the city has met part of its matching requirement by paying the related fringe benefits from the city's general account. The balance of the COPS Grant Fund at October 1, 1998, was $36,730. Therefore, of the $50,000 owed to the Department of Justice at October 1, 1998, approximately $13,270 is owed from the city's General Fund.

The Department of Justice also requires the city to prepare quarterly financial status reports and the city also over reported total qualifying expenses on the these reports. The Mayor indicated that she did not fully understand how to prepare these reports, but she now understands and is working on preparing revised reports through the quarter ended September 30, 1998.

The city should prepare complete and accurate records of all allowable salary and fringe benefit expenses and prepare accurate quarterly financial status reports. The city should request reimbursement for only actual and allowable expenses incurred, less the required amount of matching funds, in accordance with the grant agreement. In addition, the city should evaluate the current financial condition of the city and determine whether the city can afford to employ four full-time police officers, even with 75 percent reimbursement.

B. During 1997, the city received reimbursement of $3,696 for various equipment purchased under the COPS MORE program. The reimbursement was the full cost of the equipment. Therefore the city owes the federal government $924 (25 percent of matching funds). City officials indicated there are no plans to purchase additional allowable equipment in the future.

WE RECOMMEND the Board of Aldermen prepare accurate quarterly financial reports for the COPS grants, retain documentation to support the reported expenditures, and ensure reimbursement is requested for only allowable actual expenditures. The city should repay the $50,000 in excess reimbursements received. In addition, the board should evaluate its current level of law enforcement services and determine whether it can afford to employ four full-time police officers.

AUDITEE'S RESPONSE

The city has made an amended quarterly report as told to us by the Justice Department. We have $36,000 in the COPS Grant bank account for salaries that has not been spent. This will be used for salaries before any more monies are requested. The revised quarterly report for September 30, 1998, shows where we have provided the Justice Department with the percentages owed for our 25% on the grant. We will review the city's financial condition to determine if we can afford the officers.

2. Financial Records

The city's financial records are not adequate to ensure restricted revenues are spent only for allowable purposes and do not provide city officials with a means to monitor and evaluate the overall financial condition of the city. While it appears the majority of city revenues are appropriately allocated to the various funds and accounts, costs are charged to the funds and accounts without adequate documentation to support the allocation. The City Clerk indicated expenses are generally paid from the account that has funds available at the time bills need to be paid. In addition, we noted the following expenditures do not appear to be paid from or allocated to the appropriate funds or accounts:

- The City Clerk's compensation ($12,315 in 1997) is paid from the water and sewer account, but her duties are not exclusively related to the water and sewer system.
- An air conditioner for city hall ($1,648) was paid from the water and sewer account.
- Lumber and supplies for remodeling city hall and fencing supplies for the city park (total of $696) were paid from the Gas Tax Fund. Revenues of this fund are legally restricted for street purposes.

In addition, the following conditions were noted regarding inadequate records or procedures for accounting for funds which are legally restricted for specific purposes:

- Law enforcement training fees received by the traffic violations bureau are not separately accounted for. These fees are legally restricted for the training of police officers.
- Trash service fees are deposited into the water and sewer account and there is no separate accounting for trash service expenditures. Trash service revenues represent user fees which should be established to cover the cost of providing trash service. Therefore, a separate accounting of trash service revenues and expenditures is needed.

- A portion of the city's property tax revenues is legally restricted for street lights, and these revenues are deposited in the street light account; however, unrestricted franchise tax revenues are also deposited into this account and the majority of the city's electric bills (which includes electric for city hall, city library, fire barn, water pumps, etc.) are paid from this account. A separate accounting of these restricted property taxes is necessary and only the street light portion of the electric bills should be paid from these property taxes.

- The city has a general obligation bond issue and the city levies property taxes to pay the bond principal and interest. The taxes are deposited into the street bond account and the principal and interest payments are made from this account; however, the balance of this account does not appear accurate based on the actual taxes levied and the principal and interest payments since 1985. From 1985 through 1997, debt service tax revenues appear to have been approximately $45,000 less than total principal and interest payments so it appears the street bond account should have little or no balance; however, the balance of the street bond account was $18,504 at July 31, 1998. In addition, the city has approximately $24,000 in certificates of deposit which are identified as street bond monies that were purchased from general and water and sewer monies.

It is essential the city separately account for various revenue sources and properly allocate expenses to the various accounts and funds. This information is needed for the city to properly establish the user charges for its utilities and trash service. Furthermore, the uses of certain funds, such as the street bond account and Gas Tax Fund, are limited by state law for specified purposes. Therefore, documentation of expense allocation is useful for both management and compliance purposes. In addition, the city should consider combining some funds and accounts for which revenues are not legally restricted, such as the sales tax, interest, dog tag, and community building accounts and the Traffic Fund.

WE RECOMMEND the Board of Aldermen establish funds to properly account for restricted revenues and ensure all costs paid from the funds are appropriate. The board should review the current balances and make other corrections as necessary.

AUDITEE'S RESPONSE

We agree with this recommendation.

3. Budgets and Financial Reporting

A. Our review of the city's budgets noted the following concerns:

1. In March 1998, the city prepared budgets for 1996, 1997, and 1998. In addition to untimely information for 1996 and 1997, Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.
2. The budgets do not include actual receipts and disbursements from the two previous years, as required by Section 67.010, RSMo 1994. Amounts for the

two previous years provide a comparison with the budget estimates for the next fiscal year.

3. Budgets were only prepared for the General Fund and not for the COPS Grant Fund, Traffic Fund, Park Fund, Fire Department Fund and the Gas Tax Fund.

4. The budgets do not present a complete financial plan for the ensuing years. The actual and estimated cash and resources available at the beginning and end of the year, respectively, are not included on the budgets. In addition, the 1998 budget does not include estimate revenues and only includes estimated expenditures.

5. The budgets do not include a budget message.

Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years.

B. Section 79.160, RSMo 1994, requires the Board of Aldermen to semiannually publish a full and detailed statement of the receipts, expenditures, and indebtedness of the city, in a newspaper in the city. However, the city only publishes financial statements annually. In addition, the receipts and disbursements published for the Park Board Fund for the year ending December 31, 1997, did not agree to the city's accounting records and the activity for the COPS Grant Fund and Traffic Fund was not included. Also, the financial statement did not present the city's indebtedness for a fire truck of $4,779.

Accurate and complete semiannual published financial statements are necessary to comply with state law and to keep the citizens informed of the financial activity and condition of the city.

C. The city has not obtained annual audits of the combined waterworks and sewer system. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined waterworks and sewer system, and the cost of the audits is to be paid from the revenues received from the system.

In addition to being required by state law, annual audits of city funds would help ensure city financial transactions have been properly recorded.

WE RECOMMEND the Board of Aldermen:

A. Prepare annual budgets in compliance with state law, and make periodic comparisons between budgeted and actual expenditures.

B. Publish complete and accurate semiannual financial statements for all city funds as required by state law.

C. Obtain annual audits of the combined waterworks and sewer system as required by state law.

AUDITEE'S RESPONSE

A&B. We agree with these recommendations.

C. We will consider implementing this recommendation.

4. Expenditures

A. The city has not established formal bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. The city employs various techniques to solicit bids including requesting bids over the telephone, obtaining literature in the mail, and sending out bid request letters to vendors. However, the following items were purchased for which adequate bid documentation was not available:

Insurance	$8,983
Gasoline and oil	6,508
Pump repairs	4,336
Vehicle	3,200
Softball diamond improvements	1,916
Lumber and supplies for city hall remodeling	1,795
Air conditioner	1,648

Formal bidding policies for major purchases based upon a specified dollar amount would provide a more efficient framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders.

Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Not only can bids be handled by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons for accepting or rejecting bids.

B. The following weaknesses were noted regarding the city's procedures for the payment of bills:

1. The City Clerk prepares and signs checks and the Mayor also signs the checks; however, the Mayor does not review the related invoices or supporting documentation prior to signing the checks. To ensure all expenditures are properly reviewed and approved, the board should designate the Mayor or a board member to review the related invoices before the checks are signed.

2. Acknowledgment of receipt of goods or services is not always documented on invoices. This is necessary to ensure that all goods or services paid for were actually received.

3. Invoices are not always marked paid or otherwise canceled upon payment. Although no duplicate payments were noted, the possibility that an invoice will be paid twice is increased when invoices are not properly canceled.

4. Vendor invoices or other supporting documentation were not retained for some expenditures. These expenditures included $1,648 for an air conditioner, $154 to Walmart for supplies, $78 for concrete, and $233 to employees as reimbursements of expenses. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the expenditures represent appropriate uses of public funds.

C. During the review of expenditures, we noted the following questionable transactions involving the City Building Inspector:

1. In December 1996, the city paid to remodel an old garage building owned by the individual who served as City Marshal at that time (currently the City Building Inspector). In exchange for the remodeling expenses, the city was allowed to use the building as an office for the police officers and was allowed to park the city patrol car in the garage. The city used the facility for approximately one year and did not pay any rent for its use. There was no written agreement or contract regarding this arrangement.

   The minutes indicate the Board of Alderman approved to pay $300 toward the remodeling and the former City Marshal was to pay $280. City records indicate the full $580 was paid by the city and there is no record that the former City Marshal reimbursed the $280 to the city.

2. During 1997, the city remodeled the city hall building. The city purchased lumber and supplies from a vendor and the work was performed by city employees and donated labor. The donated labor was provided by the Building Inspector's contracting business. The Building Inspector's business was also building new homes in the area at this time. An invoice from the lumber vendor for $933 was made out to the Building Inspector's business and the city paid $763 to the vendor for items on this invoice. There was no documentation regarding why the city paid this amount or why the invoice was made out to the Building Inspector's business.

3. In November 1997, the city received a computer from the Building Inspector. In exchange for the computer, the city installed a sidewalk on the Building Inspector's property and installed sewer lines for an apartment building he was developing. Bids were not solicited for the computer which was valued at $1,251 and there was no documentation in the board minutes regarding this agreement.

4. In December 1996, the city paid $500 to the City Building Inspector for a sewer lift station which had been installed by the Building Inspector's contracting business. There is no documentation to support the actual cost of the lift station or why the city paid $500. Currently, the homeowner is paying costs to maintain the station.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest. To avoid the appearance of conflicts of interest, all transactions and agreements between the city and the Building Inspector should be fully documented and approved by the Board of Aldermen, and written agreements should be prepared if necessary. In addition, the board should review the above transactions and determine whether the Building Inspector owes the city $280 for the remodeling expense and $763 for payment on the invoice which was billed to his business.

D. In April 1996, the former City Marshal who is now the City Building Inspector, was apparently given authority by the Board of Aldermen to purchase a used patrol car for the city as long as the purchase price did not exceed $2,000. A car was purchased for $1,500; however, the city could not provide an invoice or bill of sale for the car purchase. In December 1996, the city apparently sold the car to a local mechanic for parts. This mechanic indicated he sold the car at an auto auction and turned over the entire proceeds to the city. A representative of the auto auction indicated the car sold for $575, less $55 for their commission. However, city records indicated only $248 was deposited into the General Fund for the sale proceeds.

E. The city allows employees to make personal phone calls. The phone call charges are to be deducted from the employees' paychecks, but some personal phone charges were not deducted. The city does not have a written policy regarding use of telephone for personal use nor does the city maintain a telephone log detailing the calls that have been made and the reason for these calls. A telephone log would help ensure the city pays for only those calls that are necessary to effectively and efficiently operate the city.

F. The city did not file Forms 1099 with the Internal Revenue Service. The Internal Revenue Code requires payments of $600 or more for services by nonemployees (other than corporations) be reported to the federal government on Forms 1099. During the year ended December 31, 1997 the city paid one individual $1,580 for excavating work and $10,453 to the city attorney.

WE RECOMMEND the Board of Aldermen:

A. Establish formal bidding policies and procedures. In addition, documentation of the bidding process should be maintained in all cases.

B.1. Designate the Mayor or a board member to review all supporting invoices before the checks are signed.

2. Require evidence of receipt of goods or services on each invoice before making payment.

3. Ensure all invoices or other supporting documentation are marked paid upon payment by the city.

4. Require adequate supporting documentation for all expenditures.

C. Fully document all transactions between the city and the Building Inspector and, in the future, enter into written agreements stating each party's duties and responsibilities. The board should review these situations and determine whether $1,043 is owed to the city from the Building Inspector.

D. Attempt to obtain documentation to verify both the purchase price and selling price of the patrol car. Any discrepancies between the documented purchase and sale prices and the amounts paid and received for the purchase and sale of the car, respectively, should be investigated.

E. Adopt a policy prohibiting the personal use of city phones, or ensure all personal phone calls are reimbursed to the city. In addition, the city should maintain a log to document the calls made and reasons for these calls.

F. Ensure that IRS Forms 1099 are filed as required for prior years as well as in the future.

AUDITEE'S RESPONSE

A,B.2, 3&E. We agree with these recommendations.

B.1. & F. We will implement these recommendations.

B.4. We have now found all but one of these invoices.

C. We agree that these transactions should have been documented better. Regarding the invoice for building supplies, we reviewed this and determined that these items were used for remodeling city hall.

D. We will attempt to obtain a copy of the title to the car, and it was our agreement that we sold the car to the mechanic for parts for $248. We will review this situation and attempt to resolve any concerns.

5. City Utilities

The city provides water, sewer and trash services to approximately 200 customers. Water meters are read around the twentieth of the month and water, sewer, and trash payments become due on the first day of the month and become delinquent the following month. Our review of the billing and receipt process and internal controls revealed the following areas of concern:

A. The City Clerk calculates amounts due, collects payments, prepares deposits, records receipts, and prepares delinquent notices. No independent review of these procedures is performed.

To safeguard against possible loss or misuse of funds, internal controls should provide for reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. An adequate system of internal controls requires segregation of duties. Since the city has only one administrative employee, segregation of duties may not be feasible. However, the Board of Aldermen should, at a minimum, designate someone independent of the process to perform and document periodic reviews of the records and procedures.

B. The City Clerk calculates the monthly water charges based on meter readings, and sewer and trash charges are the same amount each month. The city does not mail water, sewer, and trash bills to customers, but customers are required to pay their accounts monthly. The City Clerk does not issue receipt slips for utility payments. In addition, there are no reconciliations between amounts received and amounts deposited.

To properly account for all receipts, prenumbered receipt slips should be issued or receipts should be recorded on a log immediately upon receipt. The method of payment received (cash, check, or money order) should be noted on the receipt slips or receipt log. To ensure all receipts are deposited, the City Clerk should reconcile receipt slips or receipt log amounts, including the composition of receipts, to amounts deposited.

C. Spreadsheets are maintained for each customer account which includes water, sewer, and trash charges and receipts. Some customer account spreadsheets contained errors regarding payment information and amounts due. In addition, date of payment is not recorded on the spreadsheets. Accurate and complete information regarding amounts due from and paid by each customer is necessary to ensure all amounts due are collected and adequate follow-up on delinquent accounts is performed.

D. Monthly lists of delinquent customer accounts are prepared by the City Clerk and reviewed by the Mayor; however, the lists do not include delinquent accounts for city officials and employees. For example, in October 1998, the City Building Inspector owed approximately $200 in delinquent water and sewer fees for his residence and his business, and owed $250 for a water hookup fee, but these amounts were not on the delinquent list.
To ensure adequate follow-up procedures are performed, all delinquent accounts should be included on the monthly listing.

E. The city does not perform monthly reconciliations of total charges, payments received, and amounts remaining unpaid for water, sewer, and trash services.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support conclusions and any corrections made and to facilitate independent reviews.

F. The city does not reconcile the total gallons of water charged to customers to the gallons of water pumped. City personnel indicated this was done once several years ago, but documentation of the reconciliation was not maintained.

To help detect any significant water loss on a timely basis and to help ensure all water usage is properly charged, the city should monthly prepare and maintain records of the total gallons of water pumped and reconcile them to the gallons of water charged. Significant differences should be investigated.

G. City residents are required to pay a meter deposit before receiving water services. Currently, the city collects a $25 deposit for homeowners and $50 deposit for renters. A separate receipt book is maintained to record the meter deposits. The monies from the meter deposits are deposited into the water and sewer account. Our review identified the following weaknesses:

1. Meter deposit funds are not identified within the General Fund and are used for operating expenses.

   The city needs to identify all customer deposits that should currently be held by the city and keep the listing properly updated. Meter deposits received by the city should be held in trust and not used for operating expenses. The listing of meter deposits should be reconciled to the meter deposits in the account monthly to ensure that sufficient funds are available for the payment of all liabilities.

2. The City Clerk sometimes issues cash refunds for meter deposits when water service is discontinued by the customer; therefore, causing receipts to not be deposited intact. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact and refunds should be made by check.

3. Some copies of voided meter deposit receipt slips were not maintained. To ensure that all receipts slips are properly accounted for, all copies of voided receipt slips should be properly defaced and maintained.

H. The city charges a sewer hook-up fee of $250 and a water hook-up fee of $150 plus any excavating work on any new residential or commercial connections to the main trunk line. These fees are not established by ordinance. In addition, the city does not have a written policy regarding procedures for installing water and sewer lines. According to maintenance employees, the city is responsible for installing the main lines and residents are responsible for the lines connecting to their residence.

To ensure equitable treatment of all sewer customers, the board should establish ordinances for water and sewer hook-up fees and written policies regarding the installation of water and sewer lines. The board should ensure the ordinances and policies are followed and all exceptions are approved by the board and properly documented.

WE RECOMMEND the Board of Aldermen:

A. Adequately segregate the accounting duties of the City Clerk or designate someone independent of the process to perform and document periodic reviews of the records and procedures.

B. Ensure the City Clerk issues prenumbered receipt slips or maintains a receipt log and reconciles amounts received to amounts deposited.

C. Ensure complete and accurate customer utility account spreadsheets are maintained.

D. Ensure all delinquent accounts, including those for city officials and employees, are included on the monthly listing.

E. Perform monthly reconciliations of the amounts charged to amounts collected and delinquent accounts.

F. Maintain records of gallons of water pumped and compare to gallons charged on a monthly basis. Any significant differences should be documented and investigated.

G.1. Maintain a complete listing of meter deposits and periodically reconcile the listing to monies held by the city.

2. Discontinue making cash refunds for meter deposits.

3. Retain all voided meter deposit receipt slips.

H. Establish water and sewer hook-up fees by ordinance and establish written policies regarding the installation of water and sewer lines. The board should ensure the policies are followed and any exceptions are approved and documented.

AUDITEE'S RESPONSE

A,G.1, & 3. We agree with these recommendations.

B&C. We will review these recommendations.

D&H. We will implement these recommendations.

E. We are working on implementing this recommendation.

F. This had been done in the past but has not been done recently. We agree with the recommendation.

G.2. We normally issue checks for refunds and will discontinue making cash refunds.

6. Accounting Controls and Procedures

A. The City Clerk receives and deposits property taxes from the City Collector and franchise taxes, license fees, donations, community building rental fees, and other miscellaneous revenues. The City Clerk does not issue receipt slips or record individual receipts on a receipt ledger. In addition, there are no reconciliations between amounts received and amounts deposited.

To properly account for all receipts, prenumbered receipt slips should be issued or receipts should be recorded on a ledger immediately upon receipt. The method of payment received (cash, check, or money order) should be noted on the receipt slips or ledger. To ensure all receipts are deposited, the City Clerk should reconcile receipt slips or ledger amounts, including the composition of receipts, to amounts deposited.

B. Bank reconciliations are only prepared for the General Fund checking account and not for the checking accounts for the other city funds. Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis.

C. The City Clerk maintains a petty cash fund of approximately $300 which is also used as a change fund for city and municipal court transactions. The fund is not operated on an imprest basis. Invoices or receipts are not maintained for expenditures, and a ledger is not maintained to document disbursements. In addition, cash is withheld from city receipts to replenish the fund. The fund is entirely under the control of the City Clerk and no independent review is made of the fund to ensure it is maintained properly.

Invoices should be maintained for all petty cash expenditures and the fund should be operated on an imprest basis, meaning that cash and the invoices should always total the established balance, and checks issued to replenish the fund should equal the amount of invoices. A ledger of all petty cash fund transactions should be maintained. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to prevent these monies from being misused.

D. Checks issued on the city's bank accounts require signatures of the City Clerk and Mayor; however, the checks are sometimes signed in advance by the Mayor or City Clerk. In addition, the City Clerk is bonded but the Mayor is not bonded. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures. Also the Board of Aldermen should ensure the Mayor is adequately bonded.

E. The board appointed the City Collector to serve as City Treasurer in June 1998. Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or

any two of these three offices, by the same person at the same time would be incompatible. In addition, the City Treasurer only reviews the General Fund bank reconciliations performed by the City Clerk. The board should review this situation and determine if a city treasurer is needed, and if so, appoint a separate individual to this position.

F. The City Clerk shreds all voided checks. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

G. The city does not keep adequate records of individuals and organizations who rent the community building and the accompanying rental payments. The city currently indicates on a calendar when the community building is reserved. The city's records do not document whether rental amounts have been paid or are still due. In addition, varying amounts ranging from $10 to $50 have been collected as rental fees and the fees are not established by ordinance.

To ensure all rental fees are collected and properly accounted for, the city should maintain a central record of the dates the community center is rented, the name of the individual or organization who rents it, and the rental fee due. The City Clerk should keep a record of all rental payments received, reconcile payments received to payments due, and follow up on any unpaid amounts. In addition, the fees should be established by ordinance.

WE RECOMMEND the Board of Aldermen:

A. Ensure the City Clerk issues prenumbered receipt slips or maintains a receipt ledger and reconciles amounts received to amounts deposited.

B. Ensure bank reconciliations are prepared and retained for all city accounts.

C. Formally establish an imprest amount for the petty cash fund and ensure the fund is periodically counted and reconciled to the imprest balance by an independent person. In addition, invoices should be maintained for all petty cash expenditures and a ledger should be prepared of all petty cash transactions.

D. Discontinue the practice of signing checks in advance, and obtain bond coverage for the Mayor.

E. Determine whether a city treasurer is needed and appoint a separate individual to the position, if necessary.

F. Deface and retain all voided checks.

G. Establish rental fees by ordinance and ensure records are maintained for all rentals of the community center and ensure all rental fees are collected.

AUDITEE'S RESPONSE

A-C. We will implement these recommendations.

D. We have stopped signing checks in advance and will consider bonding the Mayor.

E. We will review this recommendation.

F. This has already been implemented.

G. We will consider implementing this recommendation.

7. Meetings, Minutes, and Records

A. The Board of Aldermen conducted several closed meetings during the year ended December 31, 1997 and did not document the matters discussed. Without the preparation of closed meeting minutes, there is no evidence that the provisions of the Sunshine Law, Chapter 610, RSMo, regarding these closed meetings, have been followed.

The open meeting minutes do not always document the reasons for going into closed sessions and do not document that a vote was taken to go into closed session. In addition, it is not clearly documented that the final disposition of applicable matters discussed in closed session is made public as required by the Sunshine Law. Although matters discussed at closed meetings were not documented, the Mayor indicated the board appointed a new board member to fill a vacancy, which does not appear to be an allowable closed meeting matter. In addition, the final disposition of certain personnel matters discussed in closed session, such as the appointment of the Police Chief and the Building Inspector's resignation and reappointment, may not have been disclosed to the public within 72 hours as required.

Section 610.021, RSMo Supp. 1997, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel issues, and requires public disclosure of the final disposition of certain matters. Section 610.022, RSMo 1994, requires a closed meeting, record, or vote be held only for the specific reasons announced publicly at an open session and requires a vote of the board to go into closed session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

B. The board minutes are prepared by the City Clerk, but the minutes are not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

C. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to city records would establish guidelines for the city to make records available to the public. This policy should establish a person to

contact and an address to mail requests for access to records. Section 610.023, RSMo 1994, lists requirements for making city records available to the public.

WE RECOMMEND the Board of Aldermen:

A. Ensure minutes are prepared for all closed meetings and ensure only legally allowable, specified subjects are discussed in closed session. In addition, the board should hold a vote to go into closed session, state the reasons for going into closed session, and publicly disclose the final disposition of applicable matters discussed in closed session, as required by state law.

B. Ensure board minutes are signed by the City Clerk and the Mayor to attest to their completeness and accuracy.

C. Establish formal written policies and procedures regarding public access to city records.

AUDITEE'S RESPONSE

A. This has already been implemented.

B. We will implement this recommendation.

C. We agree with this recommendation.

8. Payroll and Personnel Matters

A. Compensation and duties of city officials and employees, including the City Attorney, are not set by ordinance. Also, the city has not adopted an ordinance establishing the term of office for the City Clerk. Section 79.270, RSMo 1994, states the board of aldermen shall have the power to fix the compensation of all city officials and employees by ordinance and the salary of an official shall not be changed during the time for which he was elected or appointed. Section 79.290, RSMo 1994, requires the duties of city officials shall be prescribed by ordinance. Section 79.320, RSMo 1994, requires the term of office of the City Clerk be fixed by ordinance.

To ensure compliance with state law and to avoid misunderstandings, the board should adopt ordinances which specify the duties and compensation of all city officials and employees and the term of office of the City Clerk.

B. The city has appointed an individual as City Building Inspector; however, the city has no building codes and does not require building permits. The Building Inspector receives no official compensation, and city officials indicated he inspects old vacant city buildings; however, this position has not been established by ordinance. The city should evaluate the need for a building inspector, and if necessary, establish the duties and compensation by ordinance.

C. The City Clerk and the maintenance employees do not prepare time sheets or daily activity logs. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked.

D. The City Clerk is considered a part-time employee. For 1997 and 1998, the City Clerk is paid a base monthly salary of $550 for working the 1st through the 10th days of each month. Additional hours worked by the City Clerk are paid at $7.85 per hour ($7.50 per hour for 1997). The following represents the annual payments to the City Clerk for her base salary and for additional hours worked from 1994 through 1997:

	1997	1996	1995	1994
Base compensation	$ 6,600	5,880	5,880	4,920
Hourly compensation	5,715	5,348	3,273	760
Total	$12,315	11,228	9,153	5,680

The hourly compensation of the City Clerk has increased substantially since 1994; however, as noted in Part C. above, the City Clerk does not prepare time sheets and does not retain other documentation of her additional hours worked. The City Clerk indicated her hours have increased mainly because of her duties as traffic violations bureau clerk of the municipal court.

Because of the significant increase in the City Clerk's additional hourly compensation, the Board of Aldermen should review the City Clerk's current duties and compensation and determine whether the City Clerk should be classified as a full-time or part-time employee. In addition, the board should consider establishing the City Clerk's total compensation as either a set monthly salary or as an hourly wage for each hour worked.

E. The city has four full-time police officers, one full-time and one part-time maintenance employee, one part-time animal control officer, and one part-time City Clerk. The city has established a personnel policy for the police officers and maintenance employees but has not established a policy for the City Clerk. Also, the policies that are established do not address issues such as overtime, compensatory time, part-time employee status, and other personnel issues.

A comprehensive written personnel policy for all employees is necessary to ensure proper compensation for leave earned and taken, equitable treatment among employees, and the avoidance of misunderstandings.

F. The city does not maintain accurate records of vacation and sick leave earned, taken, or accumulated for each employee. The Mayor keeps a listing of vacation and sick days taken for the maintenance employees and the police officers. However, the listings did not always agree to payroll records documenting payment for vacation or sick leave.

Adequate documentation of vacation and sick leave earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated.

G. The city does not withhold state income taxes from the employees' wages. Section 143.191, RSMo 1994, requires employers to withhold state income taxes from wages.

WE RECOMMEND the Board of Aldermen:

A. Adopt ordinances to set duties and compensation for all city officials and employees and the term of office of the City Clerk, in accordance with state law.

B. Review the need for a city building inspector and, if necessary, set the duties and compensation of the building inspector by ordinance.

C. Require the City Clerk and maintenance employees to prepare time sheets, and require police officers to report actual time worked on their time sheets.

D. Evaluate the duties and compensation of the City Clerk and consider establishing the City Clerk's compensation as either a set monthly salary or an hourly wage.

E. Establish a complete written personnel policy for all city employees.

F. Maintain accurate records of vacation, sick leave, and compensatory time in a manner that provides a complete record of the amount of time earned, taken, and any accumulated balances.

G. Ensure state income taxes are properly withheld and remitted for any wages or salaries paid.

AUDITEE'S RESPONSE

A,B, & D. We will review these matters.

C. This has already been implemented.

E. We agree that a personnel policy is needed for all employees.

F. We agree with this recommendation.

G. We are in the process of implementing this recommendation.

9. City Property

A. The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the water and sewer system. Also, annual physical inventories are not performed. At our request, the city did prepare a listing of city vehicles, but the cost, location of asset, date acquired, and other pertinent information was not always included for each item.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the water and sewer system, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

B. The city has one police car, four fire trucks, two tractors, one van, one trash truck, one flat bed truck, and a first responder vehicle. Daily usage logs are maintained for the police car, but usage logs are not maintained for other vehicles and maintenance logs are not maintained for any vehicles or equipment.

Logs should be maintained indicating the employee using the vehicle or equipment, the purpose and destination of the trip, the beginning and ending odometer readings, and the operation and maintenance costs. The log should be reviewed by the board to help ensure there is no inappropriate personal use of the city's vehicle or equipment, verify the propriety of fuel and/or repair billings, and identify the need to replace the vehicle or equipment due to excessive maintenance costs.

C. The city maintains a gasoline tank outside city hall for the city's vehicles; however, the city has not adopted procedures to ensure gasoline is only used for official city business. Gasoline purchases increased from $3,060 in 1996 to $6,508 in 1997.

Access to the tank is not limited and all officials and employees have access to the tank. A log is maintained for gasoline pumped which includes the city vehicle which is filled with gasoline, but the log entries do not always include pump readings and gallons pumped, and do not appear to provide accurate information of gallons pumped. The logs are not reviewed and fuel usage is not reconciled to fuel purchased.

To ensure gasoline is used only for official city purposes, access to the tank should be limited only officials and employees who are authorized to use city vehicles. In addition, the pump log should be reviewed by supervisory personnel to ensure the log is complete and accurate. Total gasoline pumped into each vehicle should be periodically compared to vehicle usage records to ensure gasoline usage for each vehicle appears reasonable. Finally, gasoline purchased should be reconciled to gasoline used and significant differences should be investigated.

WE RECOMMEND the Board of Aldermen:

A. Establish property records for general fixed assets and the fixed assets of the water and sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

B. Require usage and maintenance logs be maintained for all city vehicles and equipment, and perform periodic reviews of the logs.

C. Limit access to the gasoline tank and ensure complete and accurate fuel pump logs are maintained. Fuel pumped into each vehicle should be compared to vehicle usage records. Fuel usage should be reconciled to fuel purchased and significant differences should be investigated.

AUDITEE'S RESPONSE

A. We agree with these recommendations.

B. We have started keeping a log for the maintenance van and will determine if logs are feasible for other city vehicles.

C. We agree that more accurate gas logs should be maintained. The gas purchases increased from 1996 to 1997 because every city vehicle now uses the same pump. Also, at the end of 1997 the gas paid was for gas used already and for a full tank that had not been used. Gas is used only for official city purposes unless on rare occasions an employee, for instance the police, might sell some to a stranded motorist when there is no service stations open or if an employee uses his vehicle for city business. (for instance, driving their personal car to some kind of training)

10. Property Tax Procedures

A. The city's property tax books and tax statements are prepared by Vernon County. The tax books and statements are sent to the City Collector who mails the statements and collects the taxes. The tax book totals are not reviewed or verified by any other city official. In addition, the City Collector makes all additions and abatements to the tax books without review or approval by the Board of Aldermen.

Section 94.290, RSMo 1994, requires the City Clerk to prepare the tax books and charge the City Collector with the amount of taxes to be collected. To ensure compliance with state law and to provide proper segregation of duties over tax book charges and tax collections, the City Clerk should review the tax books, verify the tax book totals, and charge the City Collector with the amount of taxes to collect. In addition, any changes to the tax books (additions or abatements) should be prepared by the City Clerk, approved by the Board of Aldermen, and charged to the City Collector.

B. The City Collector does not prepare annual reports of tax collections and delinquent taxes. Sections 79.310 and 94.320, RSMo 1994, require the City Collector to make annual reports of tax collections and delinquent taxes.

Detailed annual reports which comply with state law and are classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements, and additions.

Without such a report, examined by the Board of Aldermen, any errors or irregularities that might occur are likely to go undetected.

C. The city does not charge the correct penalty on delinquent taxes. The city currently charges two percent per month up to a maximum of 20 percent per year for each delinquent tax bill. Section 140.100.1, RSMo 1994, currently provides a penalty of two percent per month up to a maximum of 18 percent per year for each delinquent tax bill.

WE RECOMMEND the Board of Aldermen:

A. Require the City Clerk to review the tax books and charge the City Collector with the amount of taxes to be collected. In addition, the City Clerk should prepare and the Board of Aldermen should approve all tax book additions and abatements.

B. Require the City Collector to prepare detailed annual reports as required by state law which summarize property tax activity and which can be used to facilitate the reconciliation of taxes charged, taxes collected, and delinquent taxes.

C. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.

AUDITEE'S RESPONSE

A-C. We agree with these recommendations.

11. Traffic Violations Bureau

Court cases for the city of Sheldon are heard by the Associate Circuit Judge at the Vernon County courthouse. The city operates a traffic violations bureau (TVB) to receive payment of fines and court costs at times other than during court. The City Clerk serves as the TVB Clerk.

A. The TVB Clerk did not issue receipt slips for approximately $2,600 deposited in 1997. To adequately account for all receipts, receipt slips should be issued for all monies received and their numerical sequence should be accounted for properly.

B. The method of payment received is not always indicated on the receipt slips and the composition of deposits is not indicated on the deposit slips. As a result, the composition of receipts cannot be reconciled to the amounts deposited. To ensure receipts are deposited intact, the method of payments received should be indicated on the receipt slips and the composition of receipt slips should be reconciled to the composition of bank deposits.

C. The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the TVB Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of

receiving and depositing monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliations and a comparison of TVB receipt slips issued to amounts deposited.

D. The court has established a log of traffic tickets issued; however, the log is not complete. Approximately 82 out of 300 ticket numbers assigned to the police department were not listed on the log.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department and the court cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and the violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record should be maintained of the ultimate disposition of each ticket to ensure all tickets have been accounted for properly.

E. The TVB does not forward any records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Section 302.225, RSMo Supp. 1997, requires records of any plea or finding of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

F. We noted the following concerns regarding court costs and fees:

1. The TVB collects $21 in court costs and fees for each speeding violation in accordance with state law, which includes the $12 municipal court cost, $5 Crime Victims Compensation (CVC) fee, $2 Law Enforcement Training (LET) fee, $1 Peace Officer Standards and Training Commission (POSTC) fee, and $1 domestic violence shelter fee. For all other offenses, the TVB collects a total of $47 in court costs and fees. Municipal court personnel could not explain the reason why $47 was collected and could not provide any applicable city ordinances or state laws to justify the $47 amount. Court personnel should review this situation and ensure court costs and fees are collected in accordance with state law.

2. TVB receipt records do not separately identify the CVC, LET, POSTC and domestic violence shelter fees collected. When CVC and POSTC fees are disbursed to the state as required by state law, the TVB Clerk indicated she just counts the number of traffic tickets processed and multiplies the number of tickets by the applicable fee amount. In addition, the TVB has not disbursed any of the domestic violence shelter fees collected. Based on TVB records, it appears approximately $208 should be distributed to domestic violence shelters as required by state law.

   The TVB clerk should maintain records of all court fees collected and ensure all applicable fees are disbursed in accordance with state law.

Most of the conditions noted above were also noted in our prior audit report on the 28th Judicial Circuit, Municipal Divisions, for the two years ended 1994.

WE RECOMMEND the city of Sheldon Municipal Division:

A. Issue receipt slips for all monies received and account for the numerical sequence.

B. Record the method of payment on the receipt slips and the composition of deposits on the deposit slips, and reconcile the composition of receipt slips to bank deposits.

C. Adequately segregate the duties of receiving, recording, and depositing TVB receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.

D. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

E. Forward all records of convictions on traffic offenses to the MSHP as required by state law.

F. Collect and distribute court costs and fees in accordance with state law.

AUDITEE'S RESPONSE

A,B, & D. We agree with these recommendations.

C. We will consider implementing this recommendation.

E. This has already been implemented.

F. We have now distributed the domestic violence shelter fees and we will start charging $21 court costs for all cases.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

STATE LOTTERY COMMISSION

TWO YEARS ENDED JUNE 30, 1998

MARGARET KELLY, CPA

Report No. 99-05
January 5, 1999

STATE LOTTERY COMMISSION

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STATE AUDITOR'S REPORT

STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

Honorable Mel Carnahan, Governor
and
State Lottery Commission
and
James R. Scroggins, Executive Director
State Lottery Commission
Jefferson City, Missouri 65102

The State Auditor is required under Section 313.315(l), RSMo 1994, to audit the accounts and transactions of the State Lottery Commission. The commission had engaged Arthur Anderson and Company, Certified Public Accountants (CPA), to perform annual audits of the State Lottery Commission for the years ended June 30, 1998 and 1997. To satisfy our statutory obligation and minimize duplication of effort, the State Auditor has used the work of the CPAs. We reviewed the reports and substantiating working papers of the CPAs to satisfy ourselves as to the appropriateness of using their reports, and we accept them in partial fulfillment of our responsibility under Section 313.315(1), RSMo 1994.

The additional objectives of this review were to:

1. Examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

2. Examine certain management practices which we believe could be improved.

3. Follow-up on the status of recommendations made in our previous report.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed agency personnel, observed selected activities, and reviewed certain records and documents.

As part of our review, we assessed the agency's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance

on those controls. With respect to management's controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selected tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the procedures applied in our review of the State Lottery Commission.

Our comments on internal controls, compliance with legal requirements, management practices, and related areas are presented in the accompanying Management Advisory Report.

Margaret Kelly, CPA
State Auditor

December 10, 1998

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

STATE LOTTERY COMMISSION
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S CURRENT RECOMMENDATIONS

In addition to our review of the report and substantiating working papers of Arthur Andersen and Company, Certified Public Accountants, we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. Our review disclosed no conditions that may represent noncompliance.

The period of audit for the purposes stated above included, but was not necessarily limited to, the two years ended June 30, 1998.

This report is intended for the information of the agency's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

STATE LOTTERY COMMISSION
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the State Lottery Commission (SLC) on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1996.

1. Advertising

A. The SLC paid the advertising agency $79,037 for routine business expenses even though the contract with the advertising agency stated these costs were not to be charged to the SLC.

B. During the three years ended June 30, 1996, the SLC paid approximately $258,000 to the advertising agency for sales taxes.

C. Although the SLC spent a significant amount of money each year on advertising, it had not had an independent review of the effectiveness of its advertising.

Recommendation:

The SLC:

A. Strictly enforce the contract terms in the current contract with the advertising agency and discontinue the practice of reimbursing the advertising agency for routine business matters.

B. Work with the advertising agency to minimize the amount of sales tax paid.

C. Have an independent reviewer conduct a study of the effectiveness of advertising on sales of lottery products.

Status:

A. Implemented. The SLC sent a letter to the advertising agency emphasizing the terms of the contract and more closely monitored the advertising agency for compliance with the contract. However, we did note several payments to the advertising agency we consider to be for routine business matters. The SLC has contracted with a new advertising agency and clarified the issue of routine business matters in the new contract and is monitoring the new advertising agency for compliance with the contract.

B. Implemented. The SLC made a greater effort not to purchase prizes through the advertising agency.

C. Implemented. The SLC contracted with a university to perform a study of the effectiveness of advertising.

2. Sponsorships

The SLC spent $200,000 to $300,000 each year sponsoring events of civic organizations.

Recommendation:

The SLC review the propriety of these payments.

Status:

Implemented. After each of these events, the SLC now prepares a report of the benefits received by the SLC as a result of sponsoring the event.

3. Fun and Fortune Game Show

A. The SLC spent approximately $4.7 million annually on the Fun and Fortune game show and should closely monitor the progress of the game and the benefits received.

B. Prize checks for the game show were not always reviewed by an independent reviewer to verify the checks were for the correct amount.

C. The SLC did not follow its security policy of not allowing anyone to leave the secure room once the actual game was generated ensuring the security of the computer room during the game show.

Recommendation:

The SLC:

A. Closely monitor the progress of the game show and ensure the benefits received are obtained in a cost effective manner.

B. Have another employee or the independent auditor monitor the prizes won by each contestant and verify the amounts of the prize checks before the checks are distributed. Appropriate documentation of the verification should also be maintained.

C. Enforce its security policy at the game show and not allow anyone to leave the secure room once the game has been generated on the computer, or consider other alternatives to ensure the security of the game is not compromised.

Status:

A. Implemented. The SLC conducted several in-house studies of the cost-effectiveness of the game show.

B. Implemented.

C. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

STATE LOTTERY COMMISSION
HISTORY, ORGANIZATION
AND STATISTICAL INFORMATION

The State Lottery Commission was created June 11, 1985, by Senate Bill No. 44, First Regular Session, 83rd General Assembly. That action followed voter approval of a lottery amendment to the Missouri Constitution at the November 1984 general election. The State Lottery Commission began selling instant game tickets on January 20, 1986.

Section 313.321, RSMo 1994, provides that money received from the sale of lottery tickets shall be divided as follows: A minimum of 45 percent shall be awarded as prizes; administration, advertising, promotion, and retailer compensation costs shall be paid as appropriated by the General Assembly; and the remainder shall be transferred to the General Revenue Fund. Effective July 1, 1993, Article III, Section 39(b) of the Missouri Constitution requires the remainder to be transferred to the Lottery Proceeds Fund (instead of the General Revenue Fund) to be appropriated solely for institutions of elementary, secondary, and higher education.

A five-member lottery commission is appointed by the governor with the advice and consent of the Senate. The commission must meet at least quarterly. The commission has the authority to promulgate rules as it deems necessary and desirable to fully implement the lottery as mandated by the people in Article III of the Missouri Constitution. It appoints a director to act as secretary of the commission and keep all books and records of the commission. The director of the lottery oversees the commission's operation and administration. At June 30, 1998, James R. Scroggins served as the Executive Director. At June 30, 1998, the members of the commission were as follows:

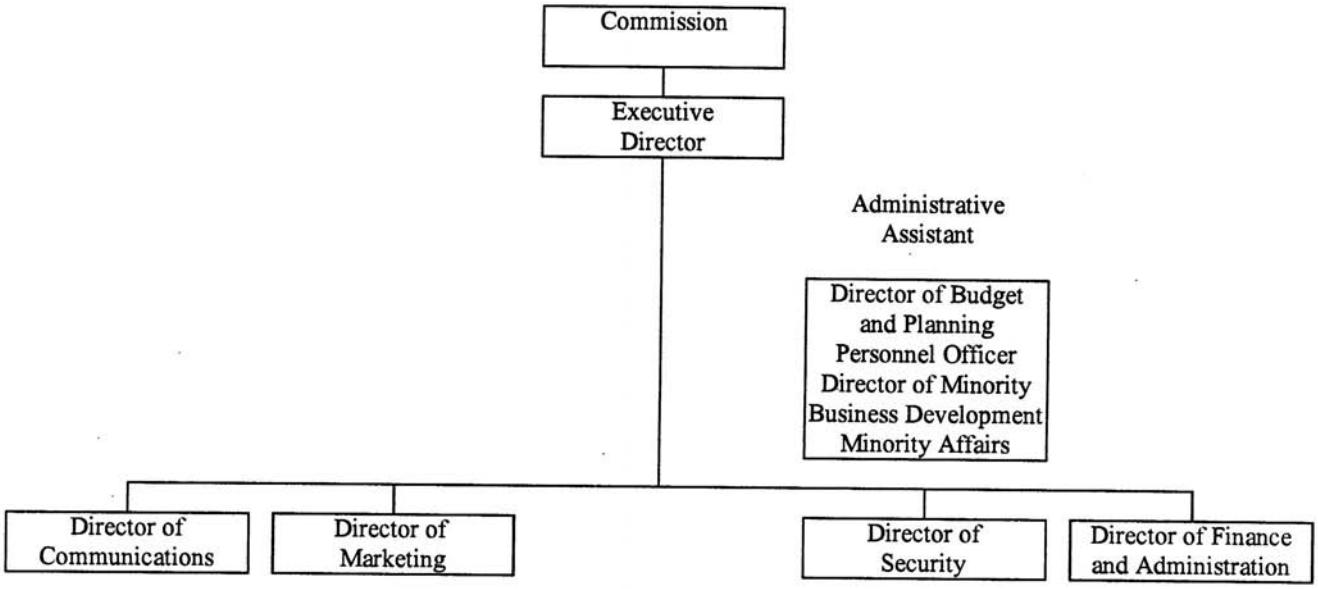
Commissioner	Term Expires
William E. James, Chairman	September 7, 1998
Kenneth R. Hensley	September 9, 1998
Robert J. Mayfield	September 7, 1997*
Jana L. Poteet	September 7, 1996*

* Commissioners continue to serve until a replacement is named.

No appointments have been made to the vacant positions on the commission.

The State Lottery Commission staff is organized into four divisions. Each division is headed by a director who coordinates activities to meet the commission's objectives. At June 30, 1998, the State Lottery Commission employed approximately 171 individuals. An organization chart follows.

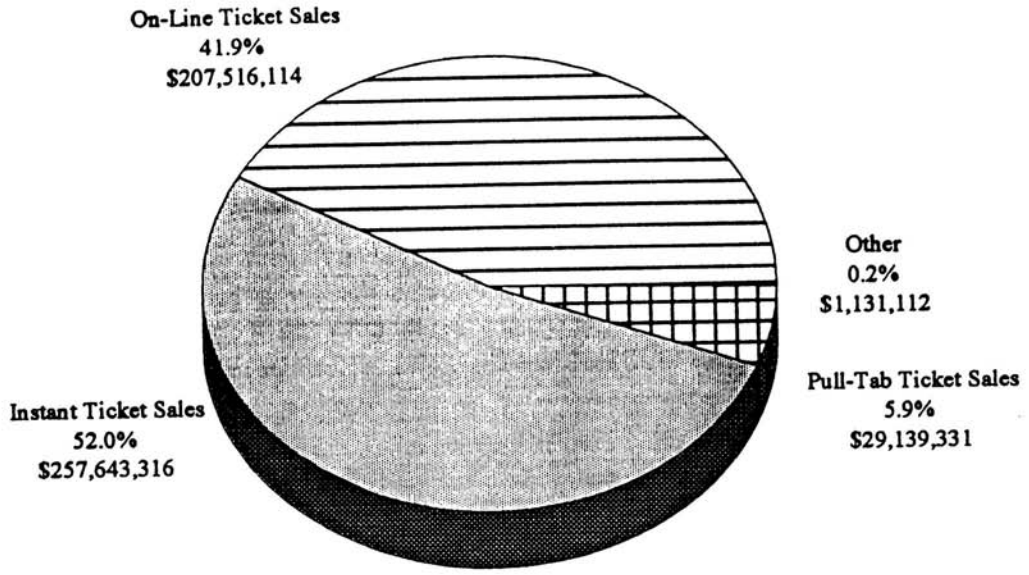
STATE LOTTERY COMMISSION
ORGANIZATION CHART
JUNE 30, 1998



Appendix A

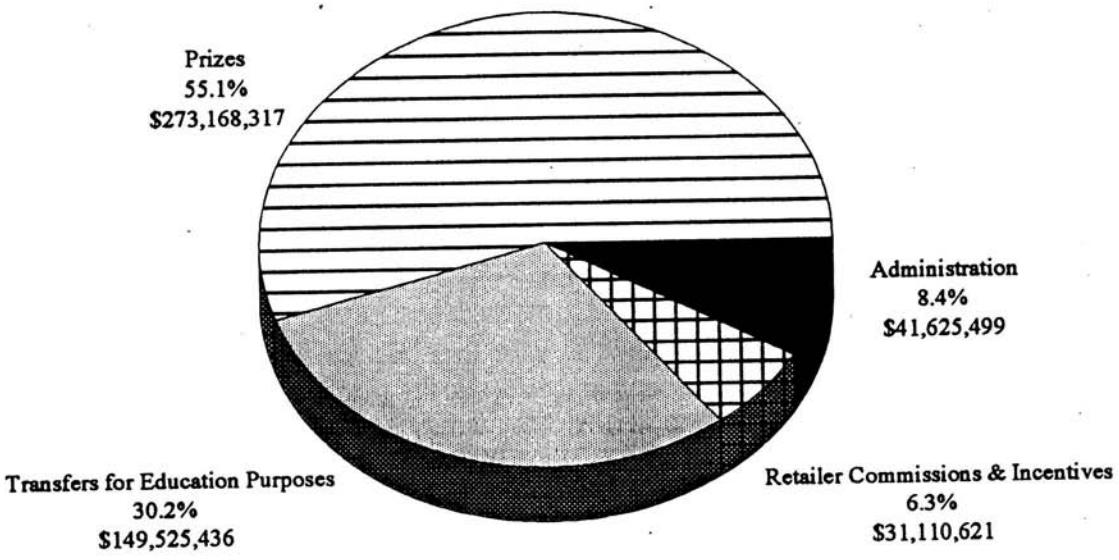
STATE LOTTERY COMMISSION
REVENUE AND EXPENDITURE CHARTS
YEAR ENDED JUNE 30, 1998

Revenues



Total Revenues: $495,429,873

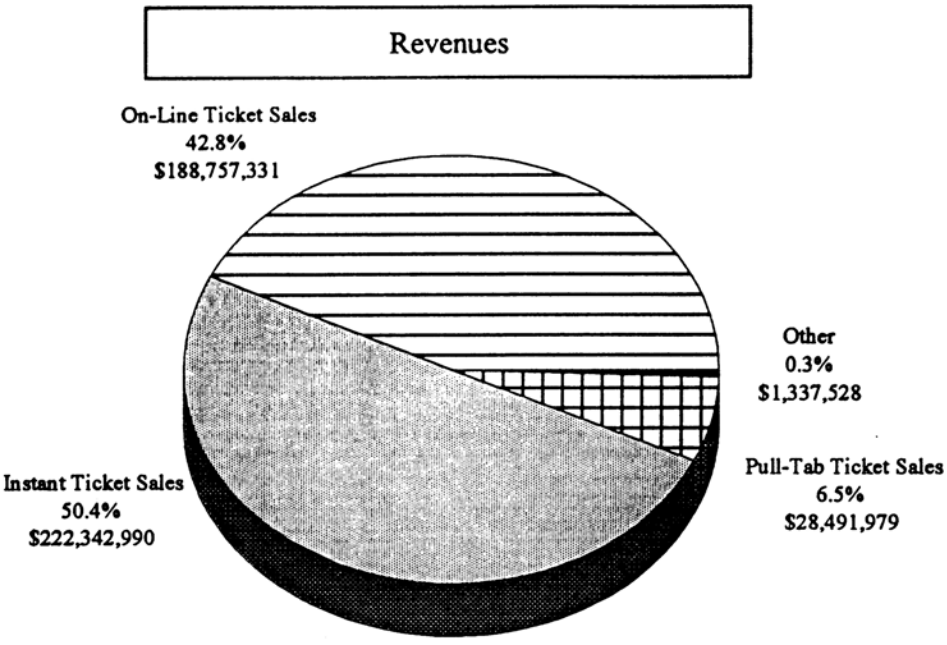
Expenditures



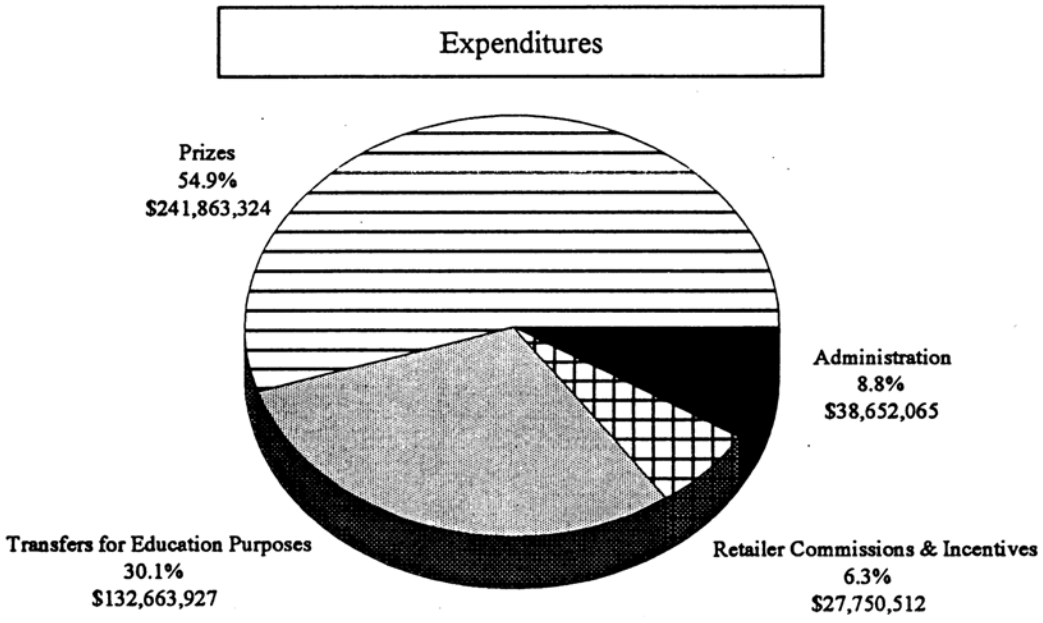
Total Expenditures: $495,429,873

Appendix B

STATE LOTTERY COMMISSION
REVENUE AND EXPENDITURE CHARTS
YEAR ENDED JUNE 30, 1997



Total Revenues: $440,929,828

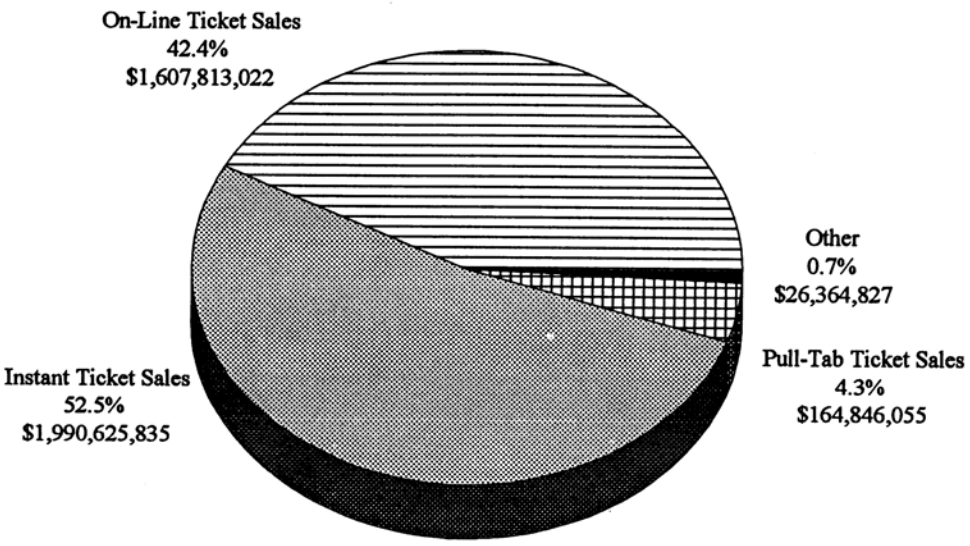


Total Expenditures: $440,929,828

Appendix C

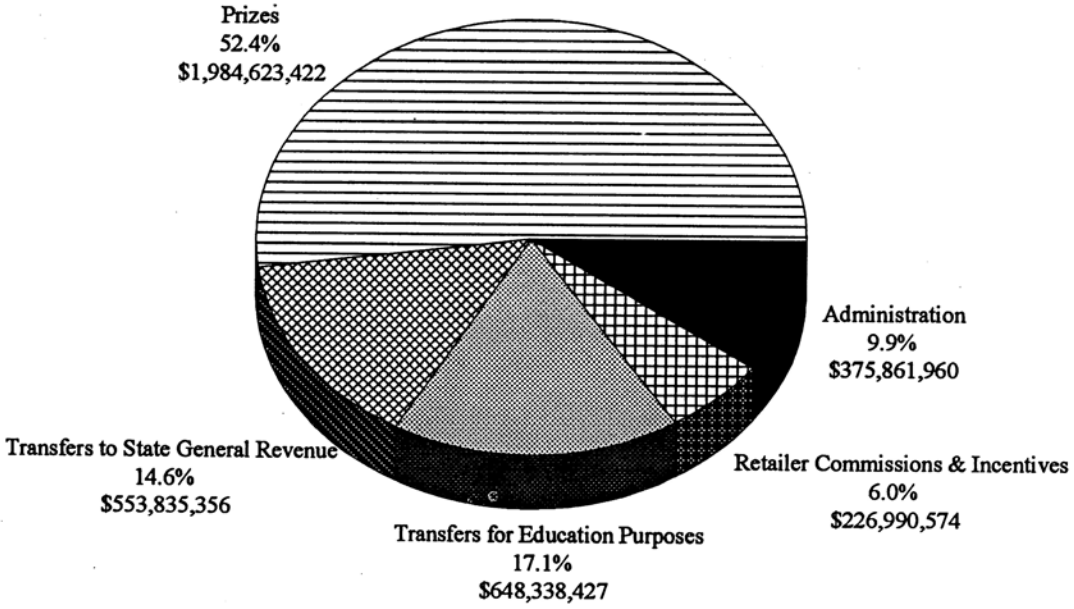
STATE LOTTERY COMMISSION
REVENUE AND EXPENDITURE CHARTS
JANUARY 20, 1986 THROUGH JUNE 30, 1998

Revenues



Total Revenues: $3,789,649,739

Expenditures



Total Expenditures: $3,789,649,739

* * * * * *

OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

OFFICE OF SECRETARY OF STATE

FOUR YEARS ENDED JUNE 30, 1998

MARGARET KELLY, CPA

Report No. 99-04
January 5, 1999

OFFICE OF SECRETARY OF STATE

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OFFICE OF SECRETARY OF STATE

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FINANCIAL SECTION

State Auditor’s Reports

STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Honorable Rebecca McDowell Cook, Secretary of State
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Office of Secretary of State as of and for the years ended June 30, 1998, 1997, 1996, and 1995, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Investor Education Fund, State Document Preservation Fund, Wolfner State Library Fund, and the Institution Gift Trust Fund; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the Office of Secretary of State and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Investor Education Fund, State Document Preservation Fund, Wolfner State Library Fund, and the Institution Gift Trust Fund; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the Office of Secretary of State as of and for the years ended June 30, 1998, 1997, 1996, and 1995, in conformity with the comprehensive

bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 1, 1998, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the office’s funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor’s office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Margaret Kelly, CPA
State Auditor

October 1, 1998

STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Rebecca McDowell Cook, Secretary of State
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Office of Secretary of State as of and for the years ended June 30, 1998, 1997, 1996, and 1995, and have issued our report thereon dated October 1, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of Secretary of State are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of Secretary of State, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Office of Secretary of State and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Margaret Kelly, CPA
State Auditor

October 1, 1998

Financial Statements

Exhibit A-1

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 1998

	General Revenue Fund-Federal	Technology Trust Fund	Local Records Preservation Fund	Investor Education Fund	State Document Preservation Fund	Wolfner State Library Fund	Institution Gift Trust Fund	Total (Memorandum) Only)
RECEIPTS								
Federal grants	$ 2,021,648	0	0	0	0	0	0	2,021,648
Fees	0	849,061	1,372,894	0	0	0	0	2,221,955
Taxes	0	1,338,039	0	0	0	0	0	1,338,039
Investment income	0	113,276	0	0	1,089	31,047	53,653	199,065
Gain on sale of investments	0	0	0	0	0	33	0	33
Donations	0	0	0	0	7,500	2,829	0	10,329
Miscellaneous	613	0	30,008	22,980	700	0	0	54,301
Total Receipts	2,022,261	2,300,376	1,402,902	22,980	9,289	33,909	53,653	5,845,370
DISBURSEMENTS								
Personal service	262,690	20,143	644,317	0	0	0	66,369	993,519
Employee fringe benefits	84,644	3,397	164,556	0	0	0	17,330	269,927
Expense and equipment	193,666	2,722,894	243,127	0	18,504	39,785	82,597	3,300,573
Public assistance grants	1,481,281	0	0	0	0	0	0	1,481,281
Investor education	0	0	0	50,000	0	0	0	50,000
Local Records Grant Program	0	0	355,568	0	0	0	0	355,568
Trust service charges	0	0	0	0	0	4,227	0	4,227
Total Disbursements	2,022,281	2,746,434	1,407,568	50,000	18,504	44,012	166,296	6,455,095
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES AND USES	(20)	(446,058)	(4,666)	(27,020)	(9,215)	(10,103)	(112,643)	(609,725)
OTHER FINANCING SOURCES (USES)								
Operating transfers out (Note 4)	(19)	(120,334)	(70,818)	(542)	0	(137)	(4,485)	(196,335)
CASH AND INVESTMENTS, JULY 1	49	2,583,796	1,476,824	139,708	20,053	747,663	987,644	5,955,737
CASH AND INVESTMENTS, JUNE 3	$ 10	2,017,404	1,401,340	112,146	10,838	737,423	870,516	5,149,677

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 1997

	General Revenue Fund-Federal	Technology Trust Fund	Local Records Preservation Fund	Investor Education Fund	State Document Preservation Fund	Wolfner State Library Fund	Institution Gift Trust Fund	Total (Memorandum) Only)
RECEIPTS								
Federal grants	$ 1,658,073	0	0	0	0	0	0	1,658,073
Fees	0	822,650	1,250,992	0	0	0	0	2,073,642
Taxes	0	1,343,853	0	0	0	0	0	1,343,853
Investment income	0	118,030	0	0	39	11,591	55,081	184,741
Gain on sale of investments	0	0	0	0	0	60	0	60
Donations	0	0	0	0	20,014	0	0	20,014
Miscellaneous	878	655	8,962	124,608	0	0	0	135,103
Total Receipts	1,658,951	2,285,188	1,259,954	124,608	20,053	11,651	55,081	5,415,486
DISBURSEMENTS								
Personal service	411,546	36,521	604,543	0	0	0	22,224	1,074,834
Employee fringe benefits	60,885	9,499	158,853	0	0	0	6,115	235,352
Expense and equipment	75,366	2,665,093	272,218	0	0	0	24,925	3,037,602
Public assistance grants	1,132,294	0	0	0	0	0	0	1,132,294
Investor education	0	0	0	0	0	0	62,498	62,498
Local Records Grant Program	0	0	453,132	0	0	0	0	453,132
Trust service charges	0	0	0	0	0	3,532	0	3,532
Total Disbursements	1,680,091	2,711,113	1,488,746	0	0	3,532	115,762	5,999,244
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,140)	(425,925)	(228,792)	124,608	20,053	8,119	(60,681)	(583,758)
CASH AND INVESTMENTS, JULY 1	21,189	3,009,721	1,705,616	15,100	0	739,544	1,048,325	6,539,495
CASH AND INVESTMENTS, JUNE 30	$ 49	2,583,796	1,476,824	139,708	20,053	747,663	987,644	5,955,737

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 1996

	General Revenue Fund-Federal	Technology Trust Fund	Local Records Preservation Fund	Investor Education Fund	Wolfner State Library Fund	Institution Gift Trust Fund	Total (Memorandum) Only)
RECEIPTS							
Federal grants	$ 1,678,278	0	0		0	0	1,678,278
Fees	0	814,671	1,183,239	0	0	0	1,997,910
Taxes	0	1,283,577	0	0	0	0	1,283,577
Investment income	0	117,846	0	0	12,100	58,510	188,456
Loss on sale of investments	0	0	0	0	(454)	0	(454)
Miscellaneous	201	0	10,094	15,100	0	0	25,395
Total Receipts	1,678,479	2,216,094	1,193,333	15,100	11,646	58,510	5,173,162
DISBURSEMENTS							
Personal service	273,783	23,389	599,878	0	0	17,886	914,936
Employee fringe benefits	71,961	5,229	155,024	0	0	5,313	237,527
Expense and equipment	135,196	830,779	252,814	0	0	14,810	1,233,599
Public assistance grants	1,182,955	0	0	0	0	0	1,182,955
Investor education	0	0	0	0	0	37,501	37,501
Local Records Grant Program	0	0	411,738	0	0	0	411,738
Trust service charges	0	0	0	0	2,682	0	2,682
Total Disbursements	1,663,895	859,397	1,419,454	0	2,682	75,510	4,020,938
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,584	1,356,697	(226,121)	15,100	8,964	(17,000)	1,152,224
CASH AND INVESTMENTS, JULY 1	6,605	1,653,024	1,931,737	0	730,580	1,065,325	5,387,271
CASH AND INVESTMENTS, JUNE 30	$ 21,189	3,009,721	1,705,616	15,100	739,544	1,048,325	6,539,495

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-4

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 1995

	General Revenue Fund-Federal	Technology Trust Fund	Local Records Preservation Fund	Wolfner State Library Fund	Institution Gift Trust Fund	Total (Memorandum) Only)
RECEIPTS						
Federal grants	$ 2,572,006	0	0	0	0	2,572,006
Fees	0	703,385	1,129,685	0	38,470	1,871,540
Taxes	0	927,850	0	0	0	927,850
Investment income	0	21,789	0	17,851	58,105	97,745
Gain on sale of investments	0	0	0	5,452	0	5,452
Miscellaneous	14,755	0	8,737	0	0	23,492
Total Receipts	2,586,761	1,653,024	1,138,422	23,303	96,575	5,498,085
DISBURSEMENTS						
Personal service	294,315	0	506,782	0	14,868	815,965
Employee fringe benefits	80,416	0	155,671	0	9,804	245,891
Expense and equipment	343,635	0	292,480	0	50,000	686,115
Public assistance grants	1,872,569	0	0	0	0	1,872,569
Investor education	0	0	0	0	50,000	50,000
Local Records Grant Program	0	0	278,033	0	0	278,033
Trust service charges	0	0	0	2,348	0	2,348
Total Disbursements	2,590,935	0	1,232,966	2,348	124,672	3,950,921
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,174)	1,653,024	(94,544)	20,955	(28,097)	1,547,164
CASH AND INVESTMENTS, JULY 1	10,779	0	2,026,281	709,625	1,093,422	3,840,107
CASH AND INVESTMENTS, JUNE 30	$ 6,605	1,653,024	1,931,737	730,580	1,065,325	5,387,271

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF RECEIPTS
GENERAL REVENUE FUND-STATE

	Year Ended June 30,			
	FY 1998	FY 1997	FY 1996	FY 1995
Franchise tax	$ 77,438,570	72,788,542	67,339,079	62,239,543
Corporations	9,036,354	9,403,094	8,817,853	8,512,435
Securities	8,938,553	8,005,930	7,199,501	6,971,460
Uniform commercial code	845,840	821,680	827,327	887,718
Commissions	394,303	386,502	360,775	337,206
Administrative rules	76,138	74,747	77,291	86,381
Archives	31,516	23,084	21,802	21,202
Missouri state library	1,085	1,204	1,763	1,324
Miscellaneous	27,714	2,015	4,632	13,482
Total	$ 96,790,073	91,506,798	84,650,023	79,070,751

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1998			1997		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - FEDERAL						
Personal Service	0	0	0	0	0	0
Expense and Equipment	0	0	0	0	0	0
Personal Service	0	0	0	0	0	0
Expense and Equipment	0	0	0	0	0	0
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library. The Library Service and Construction Act, Title Act I Services	0	0	0	0	0	0
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library. The Library Service and Construction Act, Title Act II Services	0	0	0	0	0	0
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library. The Library Service and Construction Act, Title Act III, Interlibrary Cooperation	0	0	0	0	0	0
Aid for the Blind and Physically Handicapped - Expense and Equipment	44,000	37,672	6,328	44,000	43,564	436
Expense and Equipment	0	0	0	0	0	0
Literacy Investment for Tomorrow Program	0	0	0	161,511	24,144	137,367
Central Administration - Personal Service and/or Expense and Equipment	0	0	0	558,006	412,168	145,838
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library	1,500,000	1,428,521	71,479	2,965,770	1,170,308	1,795,462
Personal Service	446,547	262,690	183,857	0	0	0
Central Administration - Expense and Equipment	133,574	97,743	35,831	0	0	0
Aid for the Blind and Physically Handicapped - Expense and Equipment	64,638	60,174	4,464	0	0	0
Total General Revenue Fund - Federal	2,188,759	1,886,800	301,959	3,729,287	1,650,184	2,079,103

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1998			1997		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
TECHNOLOGY TRUST FUND						
Personal Service	67,344	13,306	54,038	64,024	40,794	23,230
Expense and Equipment	2,932,656	1,917,450	1,015,206	2,439,600	2,095,299	344,301
Total Technology Trust Fund	3,000,000	1,930,756	1,069,244	2,503,624	2,136,093	367,531
LOCAL RECORDS PRESERVATION FUND						
Payment of real property leases and related services and utilities - Expense and Equipment	0	0	0	0	0	0
Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment	240	0	240	240	0	240
Personal Service	722,332	644,317	78,015	655,521	600,215	55,306
Expense and Equipment	214,163	202,039	12,124	354,432	316,226	38,206
Local records preservation grants	400,000	374,883	25,117	500,000	442,964	57,036
Total Local Records Preservation Fund	1,336,735	1,221,239	115,496	1,510,193	1,359,405	150,788
LIBRARY NETWORKING FUND						
Library Network Grants	1	0	1	0	0	0
Total Library Networking Fund	1	0	1	0	0	0
INVESTOR EDUCATION FUND						
Investor Education	50,000	50,000	0	0	0	0
Total Investor Education Fund	50,000	50,000	0	0	0	0
STATE DOCUMENT PRESERVATION FUND						
Preserving legal, historical and genealogical materials and making them available to the public - Expense and Equipment	27,515	18,504	9,011	0	0	0
Total State Document Preservation Fund	27,515	18,504	9,011	0	0	0
WOLFNER STATE LIBRARY FUND						
Aid for the Blind and Physically Handicapped - Expense and Equipment	75,000	44,928	30,072	75,000	0	75,000
Total Wolfner State Library Fund	75,000	44,928	30,072	75,000	0	75,000
INSTITUTION GIFT TRUST FUND						
Personal Service	95,109	67,044	28,065	22,260	22,224	36
Investor education	0	0	0	50,000	50,000	0
Expense and Equipment	113,464	101,885	11,579	70,000	39,623	30,377
Total Institution Gift Trust Fund	208,573	168,929	39,644	142,260	111,847	30,413

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1998			1997		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
Personal Service	4,595,098	4,180,183	414,915	4,095,542	3,947,967	147,575
Expense and Equipment	2,732,222	2,285,642	446,580	2,151,664	1,860,692	290,972
Expenses of initiative referendum and constitutional amendments	100,000	91,753	8,247	606,000	605,908	92
Refunds of securities, corporations, uniform commercial code and miscellaneous collections of the Secretary of State's Office	5,900,000	5,785,814	114,186	5,400,000	4,185,575	1,214,425
Payment of real property leases and related services and utilities - Expense and Equipment	0	0	0	0	0	0
Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment	62,008	62,008	0	62,008	61,833	175
Central Administration - Personal Service	0	0	0	0	0	0
Central Administration - Expense and Equipment	0	0	0	0	0	0
Aid to Public Libraries	2,160,893	2,160,893	0	1,964,448	1,964,448	0
Aid for the Blind and Physically Handicapped - Personal Service	0	0	0	0	0	0
Aid for the Blind and Physically Handicapped - Expense and Equipment	0	0	0	0	0	0
Aid for the Blind and Physically Handicapped - Access from other public libraries	0	0	0	0	0	0
Literacy Investment for Tomorrow Program	69,450	69,450	0	69,450	69,450	0
Aid for the Blind and Physically Handicapped - Personal Service and/or Expense and Equipment	0	0	0	534,932	534,932	0
Central Administration - Personal Service and/or Expense and Equipment	0	0	0	990,359	990,359	0
Aid for the Blind and Physically Handicapped - Purchasing large print books	0	0	0	35,000	35,000	0
Costs related to library automation	2,670,095	902,948	1,767,147	3,000,000	329,905	2,670,095
Personal Service	622,411	612,847	9,564	0	0	0
Central Administration - Expense and Equipment	461,281	459,681	1,600	0	0	0

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1998			1997		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
Aid for the Blind and Physically Handicapped - Personal Service	429,107	426,868	2,239	0	0	0
Aid for the Blind and Physically Handicapped - Expense and Equipment	93,172	93,172	0	0	0	0
Total General Revenue Fund - State	19,895,737	17,131,259	2,764,478	18,909,403	14,586,069	4,323,334
Total All Funds	$ 26,782,320	22,452,415	4,329,905	26,869,767	19,843,598	7,026,169

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1996			1995		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - FEDERAL						
Personal Service	57,640	15,552	42,088	50,300	48,305	1,995
Expense and Equipment	1,550	0	1,550	1,550	0	1,550
Personal Service	400,408	258,231	142,177	377,947	244,844	133,103
Expense and Equipment	133,574	123,531	10,043	148,574	147,254	1,320
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library. The Library Service and Construction Act, Title Act I Services	2,590,797	669,460	1,921,337	2,590,797	784,477	1,806,320
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library. The Library Service and Construction Act, Title Act II Services	899,541	373,091	526,450	899,541	532,310	367,231
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library. The Library Service and Construction Act, Title Act III, Interlibrary Cooperation	643,224	176,416	466,808	643,224	534,414	108,810
Aid for the Blind and Physically Handicapped - Expense and Equipment	44,000	34,008	9,992	44,000	43,728	272
Expense and Equipment	0	0	0	160,000	160,000	0
Literacy Investment for Tomorrow Program	161,511	25,157	136,354	71,873	22,572	49,301
Central Administration - Personal Service and/or Expense and Equipment	0	0	0	0	0	0
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library	0	0	0	0	0	0
Personal Service	0	0	0	0	0	0
Central Administration - Expense and Equipment	0	0	0	0	0	0
Aid for the Blind and Physically Handicapped - Expense and Equipment	0	0	0	0	0	0
Total General Revenue Fund - Federal	4,932,245	1,675,446	3,256,799	4,987,806	2,517,904	2,469,902

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1996			1995		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
TECHNOLOGY TRUST FUND						
Personal Service	60,400	25,952	34,448	0	0	0
Expense and Equipment	2,739,600	2,739,600	0	0	0	0
Total Technology Trust Fund	2,800,000	2,765,552	34,448	0	0	0
LOCAL RECORDS PRESERVATION FUND						
Payment of real property leases and related services and utilities - Expense and Equipment	240	170	70	240	220	20
Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment	0	0	0	0	0	0
Personal Service	618,418	604,206	14,212	549,529	504,657	44,872
Expense and Equipment	239,348	239,348	0	308,373	304,795	3,578
Local records preservation grants	500,000	449,116	50,884	350,000	268,730	81,270
Total Local Records Preservation Fund	1,358,006	1,292,840	65,166	1,208,142	1,078,402	129,740
LIBRARY NETWORKING FUND						
Library Network Grants	0	0	0	0	0	0
Total Library Networking Fund	0	0	0	0	0	0
INVESTOR EDUCATION FUND						
Investor Education	0	0	0	0	0	0
Total Investor Education Fund	0	0	0	0	0	0
STATE DOCUMENT PRESERVATION FUND						
Preserving legal, historical and genealogical materials and making them available to the public - Expense and Equipment	0	0	0	0	0	0
Total State Document Preservation Fund	0	0	0	0	0	0
WOLFNER STATE LIBRARY FUND						
Aid for the Blind and Physically Handicapped - Expense and Equipment	75,000	0	75,000	75,000	0	75,000
Total Wolfner State Library Fund	75,000	0	75,000	75,000	0	75,000
INSTITUTION GIFT TRUST FUND						
Personal Service	17,886	17,886	0	17,198	14,868	2,330
Investor education	50,000	50,000	0	50,000	50,000	0
Expense and Equipment	70,000	30,503	39,497	70,000	50,000	20,000
Total Institution Gift Trust Fund	137,886	98,389	39,497	137,198	114,868	22,330

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1996			1995		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
Personal Service	3,862,945	3,782,115	80,830	3,617,867	3,475,617	142,250
Expense and Equipment	2,640,184	2,513,205	126,979	2,106,684	2,025,212	81,472
Expenses of initiative referendum and constitutional amendments	100,000	74,794	25,206	634,000	633,276	724
Refunds of securities, corporations, uniform commercial code and miscellaneous collections of the Secretary of State's Office	5,400,000	5,314,986	85,014	5,700,000	5,566,469	133,531
Payment of real property leases and related services and utilities - Expense and Equipment	62,008	57,097	4,911	5,560	5,360	200
Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment	0	0	0	0	0	0
Central Administration - Personal Service	558,736	529,334	29,402	530,509	479,463	51,046
Central Administration - Expense and Equipment	449,181	449,181	0	351,678	351,567	111
Aid to Public Libraries	1,964,448	1,964,448	0	1,964,448	1,964,448	0
Aid for the Blind and Physically Handicapped - Personal Service	383,968	378,424	5,544	358,301	335,138	23,163
Aid for the Blind and Physically Handicapped - Expense and Equipment	93,937	93,937	0	58,937	58,937	0
Aid for the Blind and Physically Handicapped - Access from other public libraries	45,000	45,000	0	0	0	0
Literacy Investment for Tomorrow Program	69,450	69,450	0	40,000	40,000	0
Aid for the Blind and Physically Handicapped - Personal Service and/or Expense and Equipment	0	0	0	0	0	0
Central Administration - Personal Service and/or Expense and Equipment	0	0	0	0	0	0
Aid for the Blind and Physically Handicapped - Purchasing large print books	0	0	0	0	0	0
Costs related to library automation	0	0	0	0	0	0
Personal Service	0	0	0	0	0	0
Central Administration - Expense and Equipment	0	0	0	0	0	0

Exhibit C

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1996			1995		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
Aid for the Blind and Physically Handicapped - Personal Service	0	0	0	0	0	0
Aid for the Blind and Physically Handicapped - Expense and Equipment	0	0	0	0	0	0
Total General Revenue Fund - State	15,629,857	15,271,971	357,886	15,367,984	14,935,487	432,497
Total All Funds	$ 24,932,994	21,104,198	3,828,796	21,776,130	18,646,661	3,129,469

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

OFFICE OF SECRETARY OF STATE
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Office of Secretary of State.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Investor Education Fund, State Document Preservation Fund, Wolfner State Library Fund, and the Institution Gift Trust Fund. Appropriations from these funds are expended by or for the office for restricted purposes.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Receipts are presented in Exhibit B for the General Revenue Fund-State. Receipts include monies the office collects during its normal activities and remits to the fund. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Statement of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June

30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

General Revenue Fund-Federal: The office administers several programs financed wholly or partially by federal monies maintained in the state treasury in the Office of Secretary of State's Federal Account. These federal funds may be received in advance, when related expenditures are made, or after they are made. Appropriations from this fund authorize the disbursements of the office's federal funds.

Technology Trust Fund: Effective August 28, 1994, this fund was established under Section 28.160, RSMo 1994, to receive fees for certain services provided by the Secretary of State's Office. Expenditures are authorized by appropriation for the purposes of establishing, procuring, developing, modernizing and maintaining an electronic data processing system and programs for a centralized data base of all registered voters; library services; and services, equipment, and functions related to administrative rules, securities, corporations and business organizations, archives, Uniform Commercial Code and record services. The authority to collect certain fees expires December 31, 2001. At the end of any biennium, any amount in the fund in excess of $5 million shall be transferred to the General Revenue Fund-State.

Local Records Preservation Fund: This fund was established under Section 59.319, RSMo 1994, to receive user fees from document recordings in each county. Expenditures are authorized by appropriation for preservation of local records by the Secretary of State. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Library Networking Fund: This fund was established under Section 182.812, RSMo Cum. Supp. 1997, to consist of any gifts, contributions, grants, or bequests received from federal, private or other sources. Expenditures are authorized by appropriation

for library networks. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Investor Education Fund: Effective August 28, 1996, this fund was established under Section 409.407, RSMo Cum. Supp. 1997, to receive collections from enforcement actions of the Secretary of State Securities Division. Expenditures are authorized by appropriation for investor education programs. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

State Document Preservation Fund: Effective August 28, 1996, this fund was established under Section 109.005, RSMo Cum. Supp. 1997, to receive monies from gifts, bequests or contributions for the specific purpose of preserving legal, historical and genealogical materials and making them available to the public. Expenditures are authorized by appropriation for state document preservation. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Wolfner State Library Fund: This fund was established under Section 181.021, RSMo 1994, to account for donations restricted to improving library services to the blind and physically handicapped. In addition to donations, revenues consist of earnings from fund investments. The investments of the Wolfner Trust Fund are held and managed by a trust company and investment income is transferred to the custody of the state treasurer on a periodic basis.

Institution Gift Trust Fund: This fund was established under Section 33.563, RSMo 1994, to receive collections from enforcement actions of the Secretary of State Securities Division. Expenditures are authorized by appropriation for investor education programs. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

General Revenue Fund-State: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and, beginning January 1, 1996, a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, and Institution Gift Trust Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit C.

2. Cash and Investments

The balances of the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Investor Education Fund, State Document Preservation Fund, a portion of the Wolfner State Library Fund and Institution Gift Trust Fund, are pooled with other state funds and invested by the state treasurer.

The Wolfner State Library Fund's investments are composed of the following:

	Year Ended June 30,							
	1998		1997		1996		1995	
	Reported Amount	Fair Value	Reported Amount	Fair Value	Reported Amount	Fair Value	Reported Amount	Fair Value
U. S. Treasury notes (various interest rates ranging from 4.75 to 9.25 percent)	$ 105,389	105,941	105,389	104,856	75,666	74,790	106,294	105,949
Common Funds (various interest rates ranging from 5 to 5.6 percent)	21,150	21,150	21,098	21,098	48,068	48,068	29,033	29,033
Common Stocks	80,210	187,500	80,230	174,613	80,233	143,041	69,094	107,909
Convertible preferred stock	0	0	0	0	2,690	3,240	2,690	3,131
Miscellaneous	1	1	1	1	1	1	1	1
Total	$ 206,750	314,592	206,718	300,568	206,658	269,140	207,112	246,023

These investments were held by the office's custodial bank in the Office of Secretary of State's name.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

General Revenue Fund-Federal

	Year Ended June 30,			
	1998	1997	1996	1995
DISBURSEMENTS PER EXHIBIT A $	2,022,281	1,680,091	1,663,895	2,590,935
Employee fringe benefits	(84,644)	(60,885)	(71,961)	(80,416)
Lapse period expenditures				
1998	77,835			
1997	(123,645)	123,645		
1996		(90,390)	90,390	
1995			(23,191)	23,191
1994				(11,023)
Accounts Payable				
1998	9,163			
1997	(14,190)	14,190		
1996		(16,467)	16,467	
1995			(154)	154
1994				(4,937)
EXPENDITURES PER EXHIBIT C $	1,886,800	1,650,184	1,675,446	2,517,904

Technology Trust Fund

	Year Ended June 30,		
	1998	1997	1996
DISBURSEMENTS PER EXHIBIT A $	2,746,434	2,711,113	859,397
Employee fringe benefits	(3,397)	(9,499)	(5,229)
Lapse period expenditures			
1998	530,124		
1997	(1,343,168)	1,343,168	
1996		(1,895,006)	1,895,006
1995			0
Accounts Payable			
1998	3,458		
1997	(2,695)	2,695	
1996		(16,378)	16,378
1995			0
EXPENDITURES PER EXHIBIT C $	1,930,756	2,136,093	2,765,552

Local Records Preservation Fund

	Year Ended June 30,			
	1998	1997	1996	1995
DISBURSEMENTS PER EXHIBIT A	$ 1,407,568	1,488,746	1,419,454	1,232,966
Employee fringe benefits	(164,556)	(158,853)	(155,024)	(155,671)
Lapse period expenditures				
1998	68,591			
1997	(78,047)	78,047		
1996		(48,756)	48,756	
1995			(13,561)	13,561
1994				(29,241)
Accounts Payable				
1998	1,963			
1997	(14,280)	14,280		
1996		(14,059)	14,059	
1995			(20,844)	20,844
1994				(4,057)
EXPENDITURES PER EXHIBIT C	$ 1,221,239	1,359,405	1,292,840	1,078,402

Wolfner State Library Fund

	Year Ended June 30,			
	1998	1997	1996	1995
DISBURSEMENTS PER EXHIBIT A	$ 44,012	3,532	2,682	2,348
Trust Service Charges withheld from investment earnings	(4,227)	(3,532)	(2,682)	(2,348)
Lapse period expenditures				
1998	5,143			
EXPENDITURES PER EXHIBIT C	$ 44,928	0	0	0

Institution Gift Trust Fund

	Year Ended June 30,			
	1998	1997	1996	1995
DISBURSEMENTS PER EXHIBIT A	$ 166,296	115,762	75,510	124,672
Employee fringe benefits	(17,330)	(6,115)	(5,313)	(9,804)
Lapse period expenditures				
1998	48,160			
1997	(30,392)	30,392		
1996		(28,192)	28,192	
1995			0	0
1994				0
Accounts Payable				
1998	2,195			
1997	0			
1996		0		
1995			0	
1994				0
EXPENDITURES PER EXHIBIT C	$ 168,929	111,847	98,389	114,868

4. Operating Transfers Out

These transfer out amounts represent these funds' porportional share of fiscal year 1996 and 1995 refunds required by Article X, Section 18 of the Missouri Constitution.

Supplementary Data

Schedule

OFFICE OF SECRETARY OF STATE
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	1998	1997	1996	1995	1994
Personal service	$ 6,267,429	5,824,902	5,611,699	5,102,892	4,818,823
Travel and vehicle:					
Expense	260,975	233,537	210,095	209,843	256,415
Equipment purchase	46,868	0	17,088	63,404	26,341
Office and communication:					
Expense	2,042,913	2,058,439	1,957,191	2,057,002	1,890,413
Equipment purchase	292,411	353,769	325,122	381,355	114,900
Institution and physical plant:					
Expense	295,484	291,187	266,614	187,190	146,817
Equipment purchase	21,884	9,351	3,310	12,234	29,844
Data processing expense and equipment	2,314,506	2,751,153	3,323,830	892,919	786,258
Professional services	231,431	228,594	390,124	248,829	133,627
Miscellaneous programs	4,669,930	3,651,192	3,398,051	3,576,669	2,677,874
Refunds	5,785,311	4,161,631	5,314,024	5,566,414	4,558,174
Other expense	223,273	279,843	287,050	347,910	94,084
Total Expenditures	$ 22,452,415	19,843,598	21,104,198	18,646,661	15,533,570

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor’s Current Recommendations

OFFICE OF SECRETARY OF STATE
SUMMARY OF FINDINGS

1. Computer Consulting (pages 34-35)

   The office contracted with a consulting firm to work on information technology upgrades. Contracts were paid, although required tasks were not being completed by the consultant. The contract with the consulting firm was renewed and expanded by the Office of Administration, despite concerns regarding performance.

2. Franchise Tax (pages 35-39)

   The Franchise Tax Division does not always administratively dissolve corporations for failure to pay franchise taxes. Delinquent tax notices are not sent on a regular basis. Delinquent taxes are not certified to the Office of Attorney General as required by state law. Procedures for waiving of penalties do not reflect proper segregation of duties. Protest franchise tax cases are not resolved in a timely manner. Monies are not transmitted from the Franchise Tax Division to the Department of Revenue in a timely manner.

3. Local Records Grant Program (pages 39-40)

   The Local Records Division does not have written criteria establishing when an entity will be allowed to be granted an extension of time on their local records grant and is allowing entities more time than provided for in the CSR's to complete grants.

4. Fixed Asset Records and Procedures (pages 40-41)

   An annual schedule of additions and deletions of fixed assets is not prepared and the fixed asset records are not accurate or complete.

5. Accounting Controls and Procedures (page 41)

   There is a lack of segregation of duties in various divisions within the Office of Secretary of State. Periodic reconciliations between receipt ledgers and SAM reports are not performed.

6. Accumulated Annual Leave Balances (page 42)

   The computer system maintained in the payroll division allows employees to exceed the maximum annual leave balances allowed by state regulation.

OFFICE OF SECRETARY OF STATE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Office of Secretary of State as of and for the years ended June 30, 1998, 1997, 1996, and 1995, and have issued our report thereon dated October 1, 1998.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the office's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Computer Consulting

During the four fiscal years ended June 30, 1998, the Secretary of State paid approximately $1.5 million to a computer consulting firm working on information technology upgrades for the Office of Secretary of State. The consulting firm was selected using the Office of Administration, Division of Purchasing and Materials Management, bid and procurement process. The original one-year contract began in June 1995 and called for the implementation of the centralized voter registration database and development of a computer strategy plan. It contained renewal options for up to four years for implementation of the strategy plan. The contract has been renewed three times and expanded to include seven additional distinct tasks of which one has been completed. The current contract is in effect until July 1999. During our review of this contract we noted the following concerns:

A. Task 5 of the contract was valued at $823,995 and had a planned completion date of May 1997. The basis for compensation established in the contract was for a fixed fee for delivery of twenty-six specific reports. Throughout the course of the work, payment was made to the consulting firm based on hours billed rather than products delivered. By April 1998, only one-half of the required reports had been delivered, yet the Office of Secretary of State had paid 94 percent of the contract amount. In April 1998, the Office of Secretary of State stopped payment to the firm for the entire contract until the required reports are delivered. As of October 1998, Task 5 remained incomplete.

   The Office of Secretary of State should ensure that all contract terms are followed, require the consulting firm to submit progress billings that present information regarding deliverables, and provide adequate support for payments to be made in accordance with the contract. Such reports would enable the office to better monitor work progress and results, and ensure that compensation paid is reasonable as

compared to services rendered. In addition, the Office of Secretary of State should have considered taking action at or closer to the planned completion date.

B. Despite non-performance on Task 5, the Office of Administration (OA) continued to grant contract renewals and additional work to the consulting firm. In June 1997 only one of twenty-six required reports for Task 5 had been delivered, yet the contract was renewed and Tasks 6,7, and 8, valued at $515,714, were added. The consulting firm requested and was granted an extension to January 31, 1998, to complete Task 5. Yet in March 1998, with Task 5 still not complete, Task 9, valued at $874,885 was awarded.

Tasks 6, 7, and 8 were to be completed by June 1998. While Task 6 was completed in October 1997, Tasks 7 and 8 were still unfinished at October 1998. Task 9 has a required completion date of April 1999. However, timely completion of Task 9 may be hindered due to its reliance on the completion of some reports to be provided under Task 5.

OA personnel indicated their policy is to grant contract renewals automatically unless problems or concerns are communicated to them by the agency. It does not appear that the Secretary of State informed OA of the task completion problem. Informing the OA of problems is necessary to ensure appropriate decisions are made.

WE RECOMMEND the Office of Secretary of State:

A. Monitor the progress of contractors and make payments that coincide with performance and delivery of product.

B. Thoroughly assess progress of the current contract with the consulting firm and consider options to either ensure successful completion of all tasks or exercise any provisions in the contract regarding non-performance on the part of the contractor. In the future, the Office of Secretary of State needs to closely monitor and properly react to contracted services concerns more timely, and inform the Office of Administration of such concerns.

AUDITEE'S RESPONSE

We agree.

2. Franchise Tax

The Franchise Tax Division collects revenue in excess of $60 million annually. The Franchise Tax Division does not maintain an updated list of all corporations for which franchise taxes are due. At our request, office personnel did prepare a list of active corporations with balances due as of June 30, 1998**.** These amounts were for the 1998 tax

year and prior years. The division's list indicated franchise taxes due totaling approximately $5 million. During our review of the division's policies and procedures, we noted the following concerns.

A.1. Section 147.040.8, RSMo 1994, requires that any corporation failing or neglecting to file the required annual corporate report or pay its franchise tax within ninety days after it is due shall be administratively dissolved. During our review of delinquent franchise taxes, we noted several active corporations with outstanding balances which were more than ninety days past due. These corporations were not administratively dissolved.

Once a corporation is administratively dissolved, it must pay previous delinquencies to attain an active status with the Secretary of State and reinstate its certificate of incorporation. Allowing corporations to remain active with these delinquencies provides no incentive for corporations to pay their taxes when due.

2. Delinquent notices are not sent on a regular basis to corporations with outstanding franchise taxes to ensure taxes, interest, and penalties are collected in a timely manner. The delinquency list included several amounts over ninety days delinquent. We noted an instance where the delinquent notice was sent more than 137 days after the franchise tax report was received.

The computer system in the division produces several reports regarding corporations that owe amounts for franchise taxes. One report lists only current year taxes that are due. This is the only report used by employees to send delinquent notices. Corporations that pay their tax but owe additional assessments are not sent a delinquent notice.

When delinquent tax notices are not issued on a regular basis, there is an increased likelihood that taxes, interests, and penalties will not be collected. This condition could result in lost tax revenue to the state.

3. Section 147.120.1, RSMo Cum. Supp. 1997, requires the Secretary of State to certify to the Attorney General those corporations which fail to pay franchise taxes (including interest and penalties) after the assessment becomes final. State law requires the Attorney General to proceed against such corporations to collect the delinquent taxes.

Division personnel indicated that accounts that have been assessed, remain unpaid, and have not appealed are good candidates for certification; however, this action does not occur regularly. While they could not provide documentation of any corporations certified to the Attorney General during the audit period, they did indicate numerous cases were recently certified to the Attorney General for collection.

Failure to certify franchise tax delinquencies to the Attorney General on a timely, periodic basis increases the likelihood these taxes will not be collected.

4. Information from corporate franchise tax returns is entered in the computer. The computer then calculates the amount of tax that is due. If the amount remitted by the corporation is less than required, an assessment notice is generated, which indicates the amount of interest and penalties due. Prior to late 1995, the computer system which calculates the amount of franchise tax due did not have the capability to calculate the amount of interest and penalties due. In late 1995, this computer program was revised to calculate interest and penalties. Division personnel informed us that the amounts calculated are often incorrect, and have been this way since the revision of the program. Because of the unreliability of the system's calculations, interest and penalties amounts must be verified through manual calculations. Due to the large volume of franchise tax returns handled by the division, this process is very time consuming and could result in incorrect assessments.

   The Franchise Tax Division is currently in the process of making significant revisions to their computer system. Division personnel indicated the new system should better track delinquent taxes as well as accurately compute interest and penalties due. Since franchise tax results in large revenues to the state, the office should ensure this area is considered a high priority on their automation plans.

Conditions similar to 1., 2., and 3. were also noted in prior audit reports.

B. Section 147.120.3, RSMo Cum. Supp. 1997, provides the Secretary of State may waive penalties if there is a reasonable basis for doing so. Personnel indicated that penalties can be waived at the discretion of only one franchise tax reviewer. This same reviewer is also authorized to receive payments and record transactions. Adequate segregation of duties requires that individuals who receive payments and record transactions not be allowed to waive amounts due. Without this segregation, there is a higher risk that misappropriation of assets could occur.

   This condition was also noted in our prior audit report.

C. Underpayment of franchise taxes results in the division sending an assessment notice to the corporation. The corporation has thirty days to file a written protest, stating the reason for the protest. Protests can result from a franchise tax audit performed by the Department of Revenue (DOR) or from an assessment sent out by the division. The Secretary of State's office reconsiders the assessment based on the written protest and sends a letter to the corporation advising them of the outcome. If the corporation disagrees, they have 30 days to appeal the decision to the Administrative Hearing Commission.

   At our request, office personnel prepared a list of pending protested tax cases as of June 1998. This list included sixty corporations and totaled $3,475,363. For four of these cases, the original dates of assessment went back to 1991. In addition, twenty of the cases, totaling $229,663, were included on a delinquent protest report provided to us in the prior audit.

Protested franchise taxes do not appear to be resolved in a timely manner. The untimely resolution of protested franchise taxes could result in lost revenue to the state.

This condition was also noted in our prior audit report.

D. Corporations must file their annual reports and pay their franchise taxes on the fifteenth day of the fourth month from the beginning of the taxable period. Since most corporations utilize the calendar year basis, the majority of taxes are due on April 15. We examined the transmittals made to the DOR from June 1, 1998 through June 4, 1998, and noted that the monies transmitted represented receipts from April 14, 1998 through May 28, 1998. The transmittals totaled approximately $2.1 million. These untimely transmittals resulted in approximately $13,000 in lost interest revenues to the state. It appears this untimeliness resulted because of the significant volume of franchise tax returns submitted during this time and is not indicative of normal processing timeframes.

To safeguard against the loss or misuse of funds, and to ensure interest revenues are maximized, monies should be transmitted to the DOR more timely. Options such as temporary staffing increases need to be considered to ensure timely transmittals occur even during the busiest time periods.

WE RECOMMEND the Office of Secretary of State:

A.1. Administratively dissolve corporations for failure to remit amounts due, in accordance with state law.

2. Issue delinquent tax notices on a regular basis to corporations with outstanding franchise tax balances.

3. Certify franchise tax delinquencies to the attorney general in accordance with state law.

4. Continue efforts to revise the franchise tax computer system.

B. Ensure that employees who receive payments and record transactions are not authorized to waive penalties.

C. Resolve protested franchise tax cases in a more timely manner.

D. Ensure that monies are transmitted to the DOR in a timely manner.

AUDITEE'S RESPONSE

A.1,2, 4,&D. We agree.
A.3.&

B. We agree. This has been implemented.

C. We agree. We do note that some cases cannot be resolved quickly for reasons which are out of our control. For example, one case has been held in abeyance since August, 1996, awaiting the outcome of another case before the United States Supreme Court. That one case represents $1,876,393 of the total noted.

3. Local Records Grant Program

The Missouri Local Records Grant Program supports local public records preservation by means of financial assistance through grants to local governmental entities and private organizations that house local public records. During the years ended June 30, 1998, 1997, 1996 and 1995, grants totaling approximately $399,762, $486,216, $493,568, and $349,700, respectively, were awarded for this program.

Procedures are for entities to submit an application for the grant. If the entity is awarded a grant, seventy percent of the grant is immediately paid for grants under $10,000 and thirty-five percent for grants over $10,000. Grants issued for this program are to be completed within the fiscal year the grant was awarded. However, the Code of State Regulations at 15 CSR 30-45.030 provides for grant recipients to be given an extension, not to exceed one year, upon written permission by the Secretary of State.

According to the Local Records Division's September 1998 listing of the various grants and their status, there are currently five entities in default (grant work not completed within the initial fiscal year or the one year extension and monies not yet repaid to the Office of Secretary of State). Although the CSR indicates that no grant shall be allowed to continue for more than two years, the division has granted these entities an additional extension and not requested repayment of the unused funds. This listing also revealed that of the eighty-two grants awarded for fiscal year 1998, fifteen grants (or 18 percent), totaling $71,172, were granted extensions. Division personnel indicated that any entities that request an extension will be approved. No guidelines or criteria have been established to provide a basis for approving or disapproving extensions. Automatic approval of extensions allows entities to delay grant performance, increases the division's recordkeeping and monitoring responsibilities, and increases the possibility that monies will not be repaid should an entity default. Division personnel indicated that the current CSR is being reviewed to determine any changes that may be required. By establishing criteria for approving extensions and making grant recipients aware of them, the division can emphasize to entities that grant funds can be revoked if progress is not made within the award period.

The division's procedures to advance grant funds and approve extensions without some stringent expectations or progress requirements, while in compliance with the CSR, also result in a loss of interest revenues to the state. Consideration should be given to decreasing amounts advanced, providing grant monies on a reimbursement basis, and/or placing more limitations on extension approvals and timeframes.

WE RECOMMEND the Office of Secretary of State establish criteria to be followed in considering which entities are eligible for an extension and reconsider their funding method to maximize revenues to the state.

AUDITEE'S RESPONSE

We agree.

4. Fixed Asset Records and Procedures

The total cost of general fixed assets maintained by the Office of Secretary of State exceeds $6 million. As discussed in our prior audit report, fixed asset records and procedures are not adequate, and did not provide sufficient information to allow us to audit the fixed asset balances and transactions.

Inventory listings have recently been developed for each division. However, these listings do not provide all pertinent data, such as cost, date of purchase, and fund of acquisition. In addition, periodic physical inventories have not been performed and reconciliations between current equipment purchases and Statewide Accounting for Missouri (SAM) system expenditure reports are not being performed. Because adequate records or procedures have not been in place for several years, assets have not been properly safeguarded from theft or misuse.

In June 1998, the fiscal officer was in the process of implementing new procedures and forms to account for current acquisitions, dispositions, and transfers. This information, along with data from each division's inventory listing, is to be entered into a computer database to generate a complete fixed asset listing. Once this listing is completed, the fiscal officer needs to ensure that periodic physical inventories are completed and asset purchases are reconciled to SAM reports to provide additional assurance that the record is complete and remains current.

To ensure all fixed assets are properly recorded, the office should prepare an annual statement of changes in fixed assets. The Code of State Regulations (CSR) at 15 CSR 40-2.031 requires state agencies to prepare an annual statement of changes in fixed assets to summarize transactions occurring during the year. To ensure accuracy, this statement should be reconciled to the detailed fixed asset listing.

The CSR requires agencies to maintain adequate fixed records that contain identification number; description of the items including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition, if applicable; physical location; and method and date of disposition. A comprehensive annual physical inventory should be conducted and reconciled to fixed asset records.

WE RECOMMEND the Office of Secretary of State continue its efforts to establish adequate general fixed assets records and procedures that comply with the CSR requirements and provide adequate controls and accountability.

AUDITEE'S RESPONSE

We agree.

5. Accounting Controls and Procedures

The Office of Secretary of State has several divisions that receive monies. Our review of the accounting controls and procedures in the various divisions noted the following concerns.

A. We noted a lack of segregation of duties in various divisions. The duties of record keeping and custody of receipts are not always adequately segregated. One person generally has access to receipts and related records for each type of transaction. To protect against possible loss or misuse of funds, internal controls should provide reasonable assurance through segregation of duties that all transactions are accounted for properly.

B. Most of the divisions maintain a receipt log for monies received. However, none of the divisions perform periodic reconciliations of their receipts records to the Statewide Accounting for Missouri (SAM) system. Reconciliations of initial records of receipts to SAM are necessary to ensure revenues are properly accounted for and recorded.

WE RECOMMEND the Office of Secretary of State:

A. Review the internal controls and procedures in the various divisions and ensure the duties of receiving, recording, depositing, and reconciling are adequately segregated. If adequate segregation of duties cannot be achieved, there should be periodic independent supervisory reviews of records and reconciliations.

B. Perform periodic reconciliations between receipts records and the SAM system, and follow up on any discrepancies.

AUDITEE'S RESPONSE

We agree.

6. Accumulated Annual Leave Balances

An automated accumulated leave program is maintained by the Secretary of State's payroll department. This program includes the accumulated leave balances of all employees. Our review noted several employees had accumulated leave balances at various month-ends which exceeded the maximum allowed by state regulations. The number of excess hours noted ranged from 2 to 64 hours.

State personnel guidelines, as stated in 1 CSR 20-5.020 4.(D), indicate that employees are not allowed to accumulate annual leave in excess of the maximum amount which can be earned in two years, and does not allow for carryover of more than that amount. In addition, the office's employee manual includes the same requirement on annual leave. As a result, the office is not in compliance with state personnel guidelines, as well as their own, regarding accumulated annual leave limits.

WE RECOMMEND the Office of Secretary of State discontinue the practice of allowing employees to accumulate annual leave balances in excess of the maximum allowed.

AUDITEE'S RESPONSE

We agree. This recommendation has been implemented and is being tracked appropriately.

This report is intended for the information of the management of the Office of Secretary of State and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor’s Prior Recommendations

OFFICE OF SECRETARY OF STATE
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the office on recommendations made in the Management Advisory Report (MAR) of our report issued as of and for the period July 1, 1994 to December 16, 1994, and the years ended June 30, 1994 and 1993. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the office should consider implementing these recommendations.

1. Copier Purchase

The Office of the Secretary of State and the Office of Administration made a joint purchase of a copier, with ownership of the copier to be transferred to OA after a specified period. The Secretary of State's office paid $218,450 for the copier as compared to only $50,000 paid by OA. The average usage for the Secretary of State's office was only 17 percent as compared to an anticipated 40 percent. There was not sufficient justification for the purchase of the machine, and it appears the SOS effectively purchased the copier for another state agency. In addition, because of the specialized bid specifications, only one proposal was considered responsive by the OA.

Recommendation:

The Office of Secretary of State discontinue the practice of using the office's appropriations to pay operating costs of another state agency. In addition, bid specifications should not be so specialized that only one vendor can comply.

Status:

Implemented.

2. Expenditure Policies and Procedures

A. Instances were noted where bids were not obtained, OA waivers were not obtained for outside printing services, vendors on state contract were bypassed, or adequate bid documentation was not retained.

B. Some expense claims reviewed revealed instances of mathematical inaccuracies, lack of proper authorization, and lack of adequate supporting documentation.

C. Various contracted services were not supported by written agreements. In addition, documentation was not available to justify why specific vendors were selected.

Recommendation:

The Office of Secretary of State:

A. Ensure the state's procurement and bid polices and procedures are followed. In addition, adequate supporting documentation for bids should be obtained and retained.

B. Establish policies and procedures to ensure expense reimbursements are necessary, reasonable, and properly authorized.

C. Ensure services are supported by written agreements specifying duties to be performed and compensation to be paid. In addition, the office should, where possible, seek competitive proposals for outside services and document the selection process.

Status:

A-C. Implemented.

3. Use of State Resources

A. An employee of the Secretary of State's office was given the responsibility of soliciting donations for the Missouri First Vote Foundation, a not for profit organization formed by Secretary of State Moriarty and other office personnel.

B. The Secretary of State placed an outside consultant on the office payroll. In addition, his meals and lodging expenses were paid by the Secretary of State's office while he was working in the Jefferson City Office.

C. The Secretary of State's office permitted a private individual to use state office space and equipment to manually prepare a weekly list of new corporations which was provided free to various state agencies and sold to outside subscribers, with the fee payable to the individual. This same information could have been generated by the Corporation Division’s automated data system.

Recommendation:

The Office of Secretary of State:

A. Refrain from using state employees for soliciting donations for a private entity.

B. Reevaluate the practice of placing consultants on the payroll. In addition, reimbursement of lodging and meal expense within an employee's official domicile should be discontinued.

C. Discontinue the practice of allowing an individual to use state resources for personal benefit. The office should determine the most efficient means of transmitting data on new corporations using the automated data processing system.

Status:

A-C Implemented.

4. Franchise Tax

A.1. Corporations were not administratively dissolved, as required by state law.

2. Delinquent notices were not sent on a regular basis to corporations with outstanding franchise taxes due. In addition, the division's computer system did not identify corporations who were granted an extension but failed to file their annual report or pay their franchise tax by the extended due date and corporations that filed their annual report and paid their franchise tax timely, but owed an assessment due to report errors.

3. Corporations with taxes due were not certified to the attorney general for collection.

B. The division issued assessments for only those amounts due which exceeded ten dollars, rather than one dollar, as required by statute.

C. Procedures or guidelines for determining when a penalty may be waived were not in writing. There was not an adequate segregation of duties over authorization and recording of penalty waivers.

D. Protested franchise taxes were not resolved in a timely manner.

Recommendation:

The Office of Secretary of State:

A.1. Administratively dissolve corporations for failure to remit amounts due, in accordance with state law.

2. Issue delinquent tax notices on a regular basis to corporations with outstanding franchise tax balances. The Franchise Tax Division should identify those corporations that are not filing or paying within the extension period and those corporations that are assessed an additional amount.

3. Certify franchise tax delinquencies to the attorney general in accordance with state law.

B. Discontinue the practice of waiving assessments over one dollar. In addition, we recommend the office evaluate the practicality of the current minimum refund and assessment amount and, if necessary, pursue appropriate legislative authority for any changes.

C. Develop written procedures or guidelines for the waiving of penalties, which include the segregation of duties between employees who receive payments and record transactions, and those authorized to waive penalties.

D. Resolve protested franchise tax cases in a timely manner.

Status:

A.1, A.3, & D. Not implemented. See MAR No. 2.

A.2. Partially implemented. The Franchise Tax Division does identify those corporations that are not filing or paying within the extension period and those corporations that are assessed an additional amount. However, delinquent tax notices are still not sent on a regular basis. See MAR No. 2.

B. Partially implemented. Assessment notices are now sent for amounts greater than $1, as required by statute; however, the office has not evaluated the practicality of the current minimum refund and assessment. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Partially implemented. The office has written procedures and guidelines for waiving penalties; however, the duties of receiving and recording payments, and waiving penalties is not segregated. See MAR No. 2.

5. Investor Restitution Account

A. Revenue transmittals were not periodically reconciled with revenue reports prepared by the Office of Administration.

B. A settlement from a corporate securities dealer resulted in approximately $887,000 being reimbursed to investors, by the corporation. Documentation supporting the pay-out ratio of thirty percent of investor losses for the securities settlement, was not retained. To be eligible for restitution, investors were required to furnish the state copies of confirmations and canceled checks for each purchase and sale. The required information was not present in some claimant files reviewed.

Recommendation:

The Office of Secretary of State:

A. Ensure revenue transmittals are periodically reconciled with revenue reports.

B. Retain documentation to support distributions if restitutions are handled in the future.

Status:

A. Not implemented. See MAR No. 5.

B. Implemented.

6. Local Records Grant Program

The Local Records Division had not established policies and procedures to ensure grant funds are properly handled or accounted for, and required no documentation to support expenditures.

Recommendation:

The Office of Secretary of State establish policies and procedures to review supporting documentation of grant expenditures.

Status:

Implemented.

7. Missouri Election Authorities Conference

The Secretary of State's office established a bank account outside the state treasury for deposit of registration fees received from the participants of the Missouri Election Authorities Conference.

Recommendation:

The Office of Secretary of State refrain from holding funds outside the state treasury unless specifically authorized by state law.

Status:

Implemented.

8. Education Expenses

A. The tuition reimbursement policy did not ensure the course and/or degree being pursued was job related and would benefit the office.

B. Some tuition reimbursements could have been considered wages and subject to income tax and social security withholding.

Recommendation:

The Office of Secretary of State:

A. Evaluate the education policy to ensure education expenses are of a benefit to the office.

B. Determine whether the tuition reimbursements are considered taxable wages subject to income tax and social security withholdings.

Status:

A&B. Implemented.

9. Fixed Asset Records and Procedures

Fixed asset records maintained by Secretary of State's office administrative personnel were not adequate to allow us to audit the fixed asset balances and transactions. A statement of changes in fixed assets was not prepared and not all asset items were properly tagged. In addition, an independent physical inventory was not performed.

Recommendation:

The Office of Secretary of State maintain the fixed asset records on a current basis. An annual schedule of changes in fixed assets should be prepared and all fixed assets should be tagged as required by state law. The office should ensure that accurate locations are recorded on the fixed asset records. In addition, the office should periodically conduct a comprehensive physical inventory and reconcile the inventory to fixed asset records.

Status:

Not implemented. See MAR No. 4.

10. Accounting Controls and Procedures

The duties of record keeping and custody of receipts were not always adequately segregated.

Recommendation:

The Office of Secretary of State review the internal controls and procedures in the various divisions and ensure the duties of receiving, recording, depositing, and reconciling are adequately segregated. If adequate segregation of duties cannot be achieved, there should be periodic independent supervisory reviews of records and reconciliations.

Status:

Not implemented. See MAR No. 5.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF SECRETARY OF STATE
HISTORY , ORGANIZATION AND STATISTICAL INFORMATION

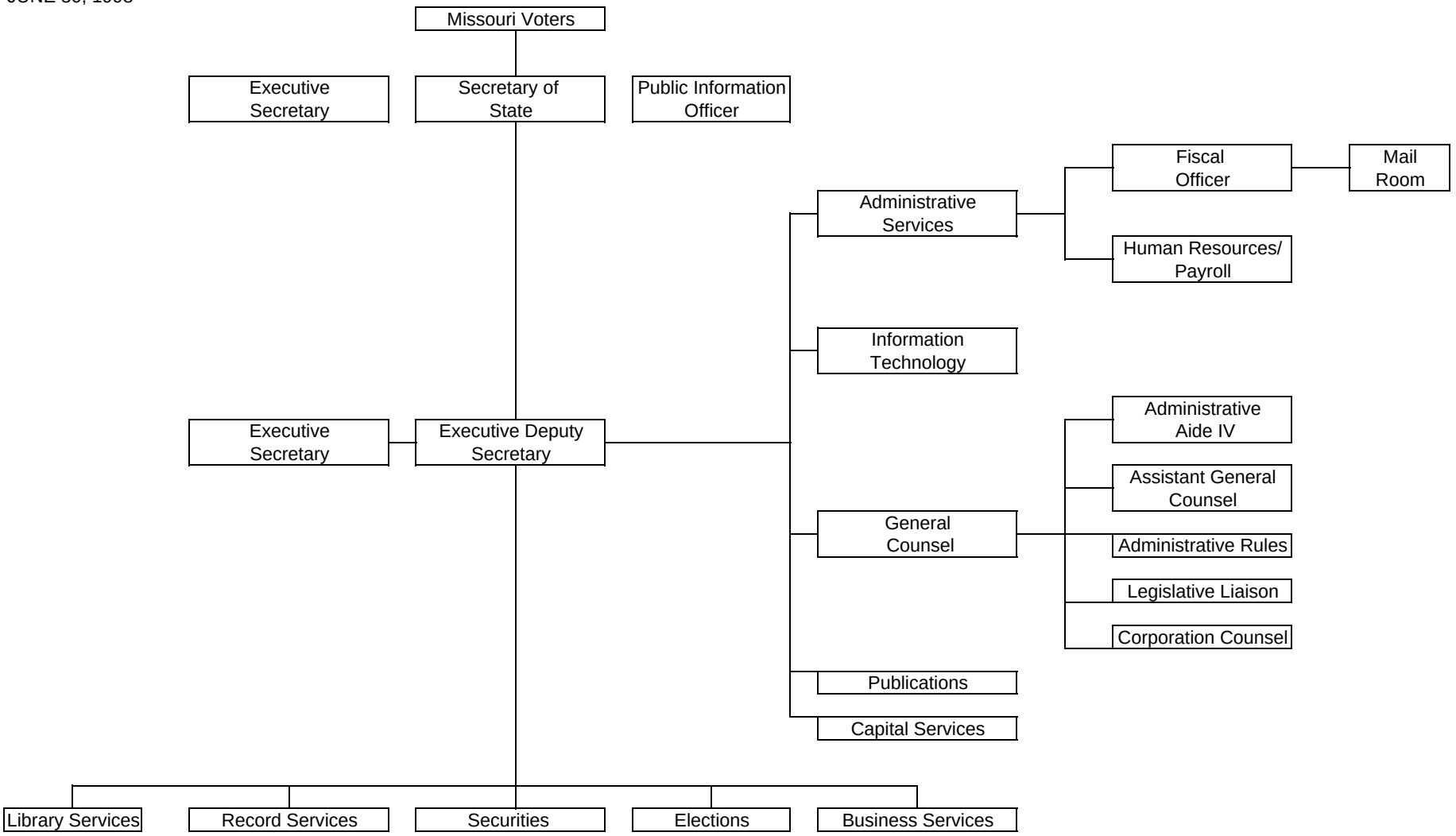
The Office of Secretary of State is an elective office as provided in the Missouri Constitution. Article IV, Section 14, established the duties of the secretary of state: 1) to be custodian of the state seal, 2) to keep a register of the official acts of the governor, 3) to be custodian of records and documents, and 4) to perform such duties in relation to elections and corporations as provided by law.

To accommodate the responsibilities of record keeping, registration, and administration, the Secretary of State's office is currently divided into six departments - Elections, Securities, Business Services, Record Services, Administrative Services and Library Services. Each department is composed of separate divisions which perform specific functions relating to department activities.

The Governor appointed Rebecca McDowell Cook as the thirty-sixth Secretary of State and she was sworn in on December 16, 1994. Secretary of State Cook was elected to a four year term of office in November 1996. Her term expires in January 2001.

As of June 30, 1998, the Office of Secretary of State employed approximately 240 full-time employees. An organization chart follows.

OFFICE OF SECRETARY OF STATE
ORGANIZATION CHART
JUNE 30, 1998



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OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

REVIEW OF INDEPENDENT AUDITS OF
FIRE PROTECTION DISTRICTS
IN GREENE COUNTY

MARGARET KELLY, CPA

Report No. 99-03
January 5, 1999

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

Honorable Mel Carnahan, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in Greene County

We have conducted a special review of independent audits of the fire protection districts in Greene County as required by Section 321.690, RSMo 1994. The purposes of this review were to:

1. Evaluate the impact of statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.

2. Assess the degree of compliance by these districts with statutory audit requirements and the State Auditor's regulations.

3. Bring to the attention of the various fire districts and independent auditors any specifically identifiable reporting deficiencies which should be taken into consideration and corrected in future audit reports.

4. Summarize and evaluate the financial data presented for the various fire districts.

Section 321.690, RSMo 1994, requires all fire protection districts with revenues in excess of $50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than $50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all five of the audit reports received for the year(s) ended December 31, 1997.

During our review, we considered Section 321.690, 1994 and 15 CSR 40-4 (which are presented in Appendices B and C), and audit reports and other financial information submitted to the

State Auditor by the various fire districts for the year(s) ended December 31, 1997. Because some data presented in the schedules and appendices was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures, we express no opinion on the schedules and appendices.

Our review was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Some problems were noted in our review of the fire protection districts' audit reports and the compliance deficiencies are summarized on Schedule 4. The problems noted included, failure to submit the audit report by June 30, 1998, failure to submit engagement letters, failure to notify the State Auditor of entrance or exit conferences, lack of complete and adequate disclosures in some notes to the financial statements, failure to include needed comments and recommendations in management letters, and failure to include follow up action on the prior year's findings.

To better determine the quality of the fire district audits, we reviewed the supporting working papers of various independent auditor reports for the year(s) ended December 31, 1997. The information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters. Generally Accepted Governmental Auditing Standards (GAGAS) require that a written record of the auditor's work be retained. However, some auditor's working papers need to be improved in this area.

As shown in Appendix A, independent auditors made a few specific recommendations to improve the overall management of fire districts. Recommendations included concerns regarding budgets and overall policies and procedures. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

This is the fourth review the State Auditor's office has performed of the Greene County fire protection districts' reports and many improvements have been noted. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. We solicit from the readers of this report any suggestions for changes or requests for other new information which may be of benefit to those involved with the Greene County fire protection districts.

Margaret Kelly

Margaret Kelly, CPA
State Auditor

December 23, 1998

SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND BALANCES

	Year Ended December 31,							
	1996					1997		
District	Beginning Balance	Adjustments (Note 2)	Revenues	Expenditures	Ending Balance	Revenues	Expenditures	Ending Balance
Ash Grove	$ 0		11,359	6,291	5,068	59,274	56,109	8,233
Battlefield	580,362	216,444	608,697	512,918	892,585	614,934	448,236	1,059,283
Bois D'Arc	3,822		15,966	16,254	3,534	19,807	20,739	2,602
Brookline	115,919		106,476	97,614	124,781		(Note 1)	
Ebenezer	60,831		122,633	121,555	61,909	76,018	64,891	73,036
Fair Grove	9,977		51,380	45,289	16,068	49,103	46,980	18,191
Logan-Rogersville	218,396		396,947	269,495	345,848		(Note 1)	
Strafford	131,061		136,386	123,678	143,769	141,724	117,975	167,518
Walnut Grove	5,824		56,277	58,630	3,471	53,707	52,462	4,716
West Republic	2,611		30,503	31,212	1,902	33,638	30,595	4,945
Willard	114,613	89,753	506,646	363,265	347,747	169,918	297,788	219,877
	$ 1,243,416	306,197	2,043,270	1,646,201	1,946,682	1,218,123	1,135,775	1,558,401

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SCHEDULE OF GENERAL FIXED ASSETS

District		December 31, 1997 Land and Buildings	Furniture and Euipment	Total	December 31. 1996 Total
Battlefield	$	618,165	831,875	1,450,040	1,315,903
Brookline			(Note 1)		126,974
Ebenezer		101,769	224,472	326,241	329,480
Logan-Rogersville			(Note 1)		1,045,778
Strafford		235,657	205,764	441,421	433,939
Walnut Grove		0	6,024	6,024	3,429
Willard		313,769	578,819	892,588	708,897
	$	1,269,360	1,846,954	3,116,314	3,964,400

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SCHEDULE OF ASSESSED VALUATIONS AND TAX LEVIES
YEARS ENDED DECEMBER 31, 1997 AND 1996

District	Assessed Valuation 1997	Assessed Valuation 1996	Tax Levy Per $100 of Assessed Valuation General 1997	Tax Levy Per $100 of Assessed Valuation General 1996
Ash Grove	$ 14,109,084	10,030,000	.26	.30
Battlefield	219,431,561	197,387,879	.26	.27
Bois D'Arc	10,906,018	8,943,296	.20	.20
Brookline	40,949,799	36,050,837	.28	.28
Ebenezer	55,438,516	49,485,517	.14	.14
Fair Grove	30,311,976	26,473,947	.20	.18
Logan-Rogersville	160,021,850	143,888,019	.26	.27
Strafford	56,426,905	49,499,132	.24	.26
Walnut Grove	19,205,076	17,876,582	.30	.30
West Republic	12,328,932	10,955,292	.27	.28
Willard	61,686,123	53,387,857	.26	.28

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SUMMARY OF COMPLIANCE DEFICIENCIES NOTED CONCERNING 15 CSR 40
YEAR(S) ENDED DECEMBER 31, 1997 AND 1996

Description of Deficiencies	Title	Number of Errors	Number of Applicable Reports	Percent
Engagement letter was not submitted to the State Auditor.	15 CSR 40-4.010	2	5	40%
Audit report was not submitted by June 30, 1998	15 CSR 40-4.010	2	5	40%
Notification of entrance and exit conference was not submitted to the State Auditor.	15 CSR 40-4.020	3	5	60%
Appropriate footnote disclosures were not included.	15 CSR 40-4.030	2 *	5	40%
Some needed comments and recommendations were not included in a management letter.	15 CSR 40-4.030	1 **	5	20%
Follow-up to prior management letter was not included in the report.	15 CSR 40.4030	2	5	40%

* Although the audit reports contained most of the necessary footnotes, we noted deficiencies regarding appropriate footnote disclosure of budgetary practices.

** A problem noted that apparently should have been reported in a management letter included overspending the budget.

The accompanying Notes to the Schedules are an integral part of this schedule.

NOTES TO THE SCHEDULES

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS
IN GREENE COUNTY
NOTES TO THE SCHEDULES

1. Significant Information

A. General

At December 31, 1997, there were eleven fire protection districts in Greene County. Districts are required to have biennial audits performed if revenues exceed $50,000, or file a financial statement if revenues are less than $50,000.

The Billings Fire Protection District which had previously been included in reviews, has been excluded from this report. House Bill 1847 passed in 1998 exempted the district from the requirements of Section 321.690, RSMo.

Upon completion of the audit, copies of the report and management letter are to be submitted to the State Auditor for review. Five audits and four financial statements have been received as follows:

1. The Battlefield, Ebenezer, Strafford, and Willard Fire Protection Districts obtained audits for the year ended December 31, 1997. These districts previously obtained audits for the year ended December 31, 1996. The Walnut Grove Fire Protection District obtained an audit for the two years ended December 31, 1997.

2. The Brookline and Logan-Rogersville Fire Protection Districts obtained audits for the year(s) ended December 31, 1996. These districts plan to obtain audits for the two years ended December 31, 1998. No information is presented in this report for the year ended December 31, 1997.

3. The Ash Grove, Bois D'Arc, Fair Grove, and West Republic Fire Protection Districts did not obtain audits. Information presented in this report for the year ended December 31, 1997, was obtained from unaudited information provided by these districts. Information presented for the year ended December 31, 1996, was previously obtained from unaudited financial statements.

B. Schedules

Information included in these schedules was compiled from the audit reports, management letters, and unaudited financial statements received from the Greene County fire protection districts.

In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Reasons for some problems in comparison are:

1. The financial statements of the Battlefield, Brookline, Ebenezer, Logan-Rogersville, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles. The ending balances represent assets net of liabilities. Revenues are recognized in the fiscal period in which they become available and measurable. Expenditures are recognized in the fiscal period in which the related liability is incurred.

2. The financial statements of the Ash Grove, Bois D'Arc, Fair Grove, Walnut Grove and West Republic Fire Protection Districts are presented on a cash basis of accounting. The ending balances represent cash balances. Revenues are recognized when received in cash and expenditures are recognized when disbursed in cash.

3. The proceeds of loans and lease financing agreements are included in the revenues of some fire districts.

The schedules presented are as follows:

Schedule 1 presents revenues, expenditures, and fund balance for the General Fund in a combined format. The General Fund is the general operating fund of each district and is used to account for all operating resources.

Schedule 2 presents the general fixed asset balances of the districts at December 31, 1997, with comparative totals of general fixed assets at December, 31 1996. The fire protection districts that are presented are only those which obtained an audit.

Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies. Immaterial differences were noted in the assessed valuations presented in the audit reports and the amounts submitted by the districts to the State Auditor's office. In addition, in 1997 and 1996, Walnut Grove Fire Protection District levied .03 and .02, respectively, in excess of the levies approved by the State Auditor's office. In 1997, Bois D'Arc and Brookline Fire Protection Districts levied .01 in excess and Fair Grove Fire Protection District levied .02 in excess of the levies approved by the State Auditor's office.

Schedule 4 is a listing of deficiencies noted regarding compliance with State Auditor's regulation 15 CSR 40.

C. Method of Accounting

All of the districts' operations are accounted for in the General Fund, which is a governmental type fund. As described in Note 1.B., the districts use various methods of accounting for their General Funds.

For those districts which have obtained audits, all fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the General Fund and are capitalized in the General Fixed Assets Account Group. Purchased fixed assets are capitalized at historical cost or at estimated historical cost if actual historical cost is not available.

Depreciation is usually not provided on general fixed assets; however, the Brookline and Logan-Rogersville Fire Protection districts did provide for depreciation over the useful lives of the general fixed assets. The total accumulated depreciation through December 31, 1996, was $71,667 for the Brookline Fire Protection District and $706,307 for the Logan-Rogersville Fire Protection District.

2. Audit Adjustments

Audit adjustments were made to the ending balances for the Battlefield and Willard Fire Protection Districts at December 31, 1995, to reflect taxes receivable that had been omitted from the December 31, 1995, balance sheets.

3. Independent Audits

For the year(s) ended December 31, 1997, three independent auditors each performed one audit, and one independent auditor performed two audits.

4. Compensation Of Directors

The independent audit reports included the names of the principal officeholders during the year ended December 31, 1997 and 1996, and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 1994. The districts have three-member boards of directors, except the Brookline and Willard Fire Protection District have five-member boards. When more than three or five names were listed, it was due to a change in the officials serving on the board.

The following is a list of total compensation paid to directors by each district which was audited:

District		Total Compensation Paid 1997	1996
Battlefield	$	6,250	5,267
Brookline		(Note 1)	0
Ebenezer		0	0
Logan-Rogersville		(Note 1)	5,975
Strafford		4,450	2,500
Walnut Grove		0	0
Willard		1,000	1,000

APPENDICES

Appendix A

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN GREENE COUNTY
SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS
IN CONNECTION WITH THE AUDITS OF THE
YEAR(S) ENDED DECEMBER 31, 1997

The following is a summary of the various comments contained in those management letters received by the State Auditor for audits of the year(s) ended December 31, 1997. These comments apply to one fire protection district unless otherwise noted. The comments extracted from the management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

Budgets

* Two districts did not present the projected fund balances on the budgets.

* Actual expenditures exceeded the budgeted amounts.

* The board of directors is responsible for the approval of the annual budget.

Policies and Procedures

* Two districts had related-party transactions that were not properly disclosed to ensure conflicts of interest did not exist regarding these transactions.

* Bank accounts should be in the name of the district and should use its proper identification number.

* A district should track equipment maintenance and repairs.

* A district should request its property tax monies be direct deposited from the county collector.

* One district needs to clearly discern district expenditures from a related association's expenditures and should clearly distinguish the roles and update the lease agreement between the two organizations.

* Purchases should be monitored for sales tax exemptions and personal purchases should not be made by the district and reimbursed.

* All related party transactions need to be accurately documented and properly discussed at meetings.

321.690. Audits to be performed, when—rules established by state auditor.—1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying commeats shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 and S.B. 346)

Title 15—ELECTED OFFICIALS

Division 40—State Auditor

Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties

15 CSR 40-4.010 Requirements for Districts

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of noncompliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.020 Standards for Auditing and Financial Reporting

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.030 Contents of Audit Reports

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.040 Scope of Audit

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

CITY OF CROCKER, MISSOURI

YEAR ENDED JUNE 30, 1998

MARGARET KELLY, CPA

Report No. 99-02
January 5, 1999

CITY OF CROCKER, MISSOURI

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

To the Honorable Mayor
and
Board of Aldermen
City of Crocker
Crocker, Missouri 65452

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Crocker, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Crocker, Missouri.

Margaret Kelly, CPA
State Auditor

July 28, 1998

HISTORY AND ORGANIZATION

CITY OF CROCKER, MISSOURI
HISTORY AND ORGANIZATION

The city of Crocker is located in Pulaski County. The city was incorporated in 1912 and is a fourth-class city. The population of the city in 1990 was 1,077.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended June 30, 1998	Amount Of Bond
Norma Lea Mihalevich, Mayor	April 1999	$ 0	$ 0
Leon Layman, Alderman	April 2000	0	0
James Morgan, Alderman	April 2000	0	0
Ronnie Layman, Alderman	April 1999	0	0
Jim Goodrich, Alderman	April 1999	0	0
Other Principal Officials			
Joyce Peterson, Administrative City Clerk		23,592	25,000
Robert Layman, Jr., Public Works Superintendent		23,359	0
Robert Ishmael, Chief of Police		17,091	0
Ella Hardesty, City Treasurer		2,032	0
Ferrell G. Shelton, Municipal Judge		2,400	0
William C. Morgan, City Attorney		1,200	0

In addition, the city has eight full-time employees.

Assessed valuation and tax rate information for the tax year 1998 are as follows:

ASSESSED VALUATION	
Real estate	$ 3,344,670
Personal property	1,408,988
Total	$ 4,753,658

TAX RATES PER $100 ASSESSED VALUATION	
General Fund	$.56
Park Fund	.16
Total	$.72

The city has a general sales tax of one percent of retail sales within the city.

MANAGEMENT ADVISORY REPORT SECTION

CITY OF CROCKER, MISSOURI
SUMMARY OF FINDINGS

1. Financial Operations (pages 8-11)

The city has continued to budget and operate the General Fund with a deficit cash balance, using other city funds to subsidize the General Fund operations. Some expenses are not allocated to the appropriate city fund and the financial condition and operations of each city fund are not reviewed on a periodic basis.

2. Budgetary Practices and Financial Reporting (pages 11-14)

The city's budgets do not include the necessary information for all funds as required by state law, and the board does not periodically compare actual revenues and expenditures to the budgeted amounts. The city has continually budgeted a deficit fund balance in the General Fund and has approved expenditures in excess of the budgeted amounts for several funds. The approved budget amounts are not reconciled to the budget amounts recorded on the computerized accounting system. The city's semi-annual published financial statements only report information in total (all city funds combined), rather than detailed information by fund. A formal maintenance plan for city streets has not been prepared annually and included in the budget.

3. Expenditures and Contracts (pages 15-18)

While the city has a formal bidding policy, it has not followed the written policy on many purchases. Over $174,000 was spent by the city on various purchases where bids were not solicited or not documented. The city provides use of land in the city park and free water and sewer services to a not-for-profit swimming pool committee that operates the pool without a written ordinance or a cooperative agreement. The city has not entered into formal written contracts for the purchases of some property, the city is paying for the purchase of land next to the city park from the Water and Sewer Fund instead of the General Fund, and the city erroneously overpaid the final payment on a land purchase by $1,400. The city has entered into a four-year installment loan for the purchase of a new police car. The city overpaid $2,000 to the grant administrator for costs related to a Community Development Block Grant.

4. Accounting Controls and Procedures (pages 18-21)

Prenumbered receipt slips are not issued for some monies received, the method of payment is not recorded in the cash receipts ledger and reconciled to the composition of deposits, and cash receipts are not deposited intact or on a timely basis. Checks and money orders are not restrictively endorsed immediately upon receipt, invoices are not approved for payment by the board before checks are completed and signed by the City Treasurer, and some city employees are not adequately bonded.

5. Water and Sewer System Controls and Procedures (pages 21-23)

There is no independent oversight or adequate segregation of duties related to the city's utility system. The city has not established formal procedures to adjust individual utility bills and there is no independent review or approval of the credit adjustments recorded on the computerized utility system. The city does not have a written policy or ordinance indicating the number of water and sewer hook-ups allowed for each business or residence. The city has not performed an operation and maintenance review of the water system since November 1995. The city did not maintain documentation of the costs of providing water to the local water district which it considered when establishing the related water rate.

6. Community Oriented Policing Services (COPS) Grant (page 23)

The city did not seek reimbursement for allowable costs on a timely basis.

7. Personnel Policies and Procedures (pages 24-26)

The city has not adopted an annual ordinance to establish the compensation of appointed officials and employees. The City Clerk received a new position and an increase in compensation which was not provided for by a city ordinance. The city does not have a written policy on use of city vehicles for commuting purposes. Some employee time sheets which are completed by the City Clerk are not signed by the employee or their supervisor, and time sheets do not indicate hours worked by function as a basis for allocating salaries and fringe benefits to the appropriate funds. The city is not consistently following some of its written personnel policies.

8. Board Policies and Procedures (pages 26-28)

One set of closed session minutes could not be located, and some minutes did not specifically document what was discussed but just made a general statement that a certain topic was discussed. The tentative agenda does not disclose specific information to be discussed at the upcoming board meeting and does not indicate the reason for holding a closed session. The board minutes did not disclose the reasons for buying approximately 78 acres of land or the various alternatives to buying this land. The city does not have a formal policy regarding public access to city records.

9. Municipal Division (page 28-29)

Monies collected by the court are not transmitted to the city on a timely basis, court costs were not assessed or collected in accordance with state law, some monthly reports could not be located and some were not added correctly, and the method of payment is not always indicated on the receipt slips and on court transmittal pages and is not reconciled to bank deposits.

1. Financial Operations

The city maintains several funds including a General Fund, Street Fund, Park Fund, and Water and Sewer Fund. Monies are set aside from the Water and Sewer Fund into a Pull-a-Pump Fund, Water Tower Maintenance Fund, and Depreciation and Replacement Fund. The city also sets aside monies from the General Fund into an Emergency Fund. All monies, except for the Depreciation and Replacement Fund and the city's meter service deposits, are deposited into one bank account. Our review of the financial operations and condition of the various city funds noted the following:

A. As discussed further in MAR No. 2, the city has budgeted and operated the General Fund with a negative cash balance for several years, yet has not developed a plan to eliminate the deficit. Independent audit reports of the city have shown a negative fund balance and cash balance for several years. This deficit has grown significantly over the past four years, yet the city has continued to incur expenditures from the General Fund when monies are not available to pay for them. It appears the Board of Aldermen has made decisions based on inadequate financial information. As noted elsewhere in this report, budgets adopted by the city did not include complete information about beginning available resources and lacked any comparative actual data about the previous two years. In addition, the Board does not receive or review any periodic data throughout the year comparing budgeted amounts with actual amounts to date. The ending cash balances in the General Fund for the years ended June 30, 1998, 1997, 1996, 1995, and 1994 are as follows:

	Year Ended June 30				
	1998	1997	1996	1995	1994
Cash balance, June 30	$ (48,783)	(39,853)	(32,519)	(20,827)	(10,327)

As of October 31, 1998 the General Fund still had a deficit cash balance of approximately ($48,010).

While the city maintains several separate funds to account for the various activities of the city, most city receipts and disbursements are processed through one bank account. Because of this process, cash of other city funds has, in effect, been used to pay checks written from the General Fund. However, the city has not maintained adequate records to track how much cash has been used from each of these funds.

In addition, some expenditures paid directly from other city funds appear to in fact be General Fund costs. Examples include the following:

* The city receives a monthly contract fee of $1,150 for collecting and depositing utility payments for the local rural electric company. This fee is deposited into the General Fund, but the applicable clerk's monthly salary of $1,188 is paid entirely from the Water and Sewer Fund. Another deputy clerk's monthly salary of $1,578 is also paid entirely from the Water and Sewer Fund, although part of her time is also devoted to general city operations.

* As noted in MAR No. 3, the city purchased land from the local school district for general city use, but the monthly payments for the land are made from the Water and Sewer Fund instead of the General Fund. The purchase price was $35,000 and as of September 1998, $5,765 had been paid.

Had these costs been appropriately charged to the General Fund, the negative cash balance would have been even larger. Operating at a deficit is a serious condition and inappropriate. The city needs to live within its means and should take immediate steps to eliminate the negative cash balance by decreasing expenditures or increasing revenues.

B. The city maintains several funds to account for the operations of the city's water and sewer system. These include the Water and Sewer Operation and Maintenance Fund, Meter Service Deposit Fund, Pull-A-Pump Fund, Water Tower Maintenance Fund, Depreciation and Replacement Fund, Principal and Interest Fund, and Lease Purchase Construction Fund. The city has incurred several large expenditures during the last two years which have had a significant impact on the financial condition of the various water and sewer funds. These have included major repairs to the city water wells and well tower totaling $67,000; construction of a new sludge clarifier and upgrades to the wastewater system totaling $699,000 (of which $455,600 was paid for by a Community Development Block Grant); purchase of a used pickup totaling $14,500; payment of $24,500 for half the cost of a new backhoe loader; and the purchase of land on which to spread city sewer sludge totaling $71,600.

Some of these purchases required ongoing payments for several years and thus will continue to impact the water and sewer funds. For example, the city entered into a contract for approximately $49,000 to repair the well tower which requires annual payments in excess of $16,000 for the next three years. The Water and Sewer Fund's share of lease purchase payments for the backhoe loader is approximately $586 per month through June, 2001. Also, to pay for its share of the costs of the sewer clarifier project and the purchase of a new sludge truck, the city issued $435,000 in lease certificates of participation. This lease contract obligates the city to make over $682,000 in principal and interest payments over a 15 year period, ending in 2012. The city must set aside approximately $3,700 monthly from water and sewer fees to meet the principal and interest payments, plus $660 per month for a required contribution to the Depreciation and Replacement Fund.

As of October 31, 1998, the city had approximately $180,243 in the various water and sewer system funds noted above. However, of this total, only $29,027 represents unrestricted monies available to pay normal operating costs of the system. Approximately $37,216 represented restricted monies in the Meter Service Deposit Fund, Depreciation and Replacement Fund, and Principal and Interest Fund; and $114,000 is unused proceeds of the lease certificates of participation, $53,269 of which was earmarked to pay for the new sludge truck and outstanding project bills and $60,731 which is restricted by the lease contract to be used to make principal and interest payments on the lease certificates of participation.

Our review noted that average monthly water and sewer revenues total approximately $19,200 while average monthly expenditures charged to water and sewer operations total approximately $21,500. This includes normal operating expenses, required contributions to the Depreciation and Replacement Fund and the Principal and Interest Fund, monthly payments for the backhoe lease, payments on the water tower contract, and voluntary contributions made to the Water Tower Maintenance Fund and Pull-A-Pump Fund. As noted in part A. above, these expenses also include payments for land purchased for general city use and the total salaries for two clerks who actually spend part of their time on general city operations. However, it does not include the monthly salaries, totaling approximately $2,000 of two Water and Sewer Operations and Maintenance employees who work on the water and sewer system, city streets, and in the park, but whose salaries are paid entirely from the Street Fund. To ensure restricted revenues are not spent for other than their intended purpose, expenses associated with specific activities should be reflected in the funds established to account for those activities. This is also necessary to accurately determine the results of operations of those funds, thus enabling the city to properly establish the level of taxation and/or user charges necessary to meet all operating requirements.

The Board of Aldermen needs to closely monitor the ongoing financial condition of the various water and sewer funds to ensure monthly revenues are sufficient to pay required operating costs, as well as the other required monthly payments and contributions, and any amounts needed for future repairs. The Board needs to review financial information and ensure the rates are set to cover the total costs.

As noted in parts A. and B. above, the city has incurred many expenditures over the last two years for major construction and repairs, purchases of vehicles and equipment, and purchases of land. In addition, the city hired an additional police officer, whose salary is partially reimbursed by a federal grant, and approved a 10 percent salary increase for all employees for fiscal year 1998 and an additional 9 percent increase for fiscal year 1999. The Board needs to review adequate financial data as a basis for making such expenditure decisions, to ensure it can meet its obligations currently and in the future.

WE RECOMMEND the Board require adequate financial information be prepared to allow it to review and monitor the financial condition of each city fund. The Board of Aldermen should take immediate steps to eliminate the deficit in the General Fund and

ensure rates are set in the Water and Sewer Fund to cover the total costs of operation. The Board should also ensure all expenditures are charged to the appropriate fund.

AUDITEE'S RESPONSE

The board concurs and will attempt to implement the recommendations.

2. Budgetary Practices and Financial Reporting

A. Our review of the city's budgets noted the following concerns:

1) The city budgets do not include a budget message, the beginning cash balance for the General Fund (although beginning balances were presented for other city funds) or the projected ending cash balances for any city funds.

2) The budgets do not include a comparative statement of actual or estimated receipts and disbursements for the two previous years. Amounts for the two previous years provide comparative information to help evaluate the reasonableness of the budget estimates for the upcoming year.

3) The budgets do not include the Water Tower Maintenance Fund, the Pull-a-Pump Fund, and Depreciation and Replacement Fund.

4) The Board of Aldermen does not periodically compare actual revenues and expenditures to the budgeted amounts. While such a comparative report is prepared each month by the City Clerk, it is not reviewed by the board nor do the board minutes document any discussions of the financial activities or financial condition of the funds.

   Budgets are a planning tool and should serve as a guide throughout the year to monitor revenues and expenditures. A periodic comparison of budgeted versus actual revenues and expenditures is necessary to properly monitor the financial condition of each city fund.

Sections 67.010 to 67.080, RSMo 1994, provide the city's budget shall present a complete financial plan for the ensuing budget year and include specific requirements regarding the preparation and approval of the annual operating budget. A budget should be prepared for all funds of the city and the budget should include a budget message, the beginning and projected ending fund balances of all city funds, and actual or estimated revenues and expenditures for the two previous fiscal years. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area and providing a means to effectively monitor costs.

B. While, as noted in part A.1. above, the city's budget documents did not present the beginning and estimated ending balance for the General Fund, the city has budgeted a negative balance each year in the General Fund. The city's General Fund has had a negative cash balance for the past several years but the city has continued to budget expenditures in excess of revenues or revenues and the beginning cash balance.

Section 67.010.2, RSMo 1994, and Article VI, Section 26(a) of the Missouri Constitution, state that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year. By continuing to budget a deficit in the General Fund each year, the board has essentially operated this fund illegally.

The board should take immediate steps to eliminate the General Fund budgeted deficit. The board should consider revising the current fiscal year 1999 budget to be in compliance with state law by identifying additional revenue sources or reducing expenditures where appropriate.

C. During the years ended June 30, 1998, 1997, and 1996, the city approved expenditures in excess of the budgeted amounts for various funds as follows:

	Year Ended June 30,		
Fund	1998	1997	1996
General Fund	$ 29,656	17,493	11,251
Water/Sewer Fund	89,838	104,087	624
Park Fund	8,394	3,735	4,654

The expenditures of the General Fund have exceeded the budgeted amounts due largely to expenditures for the police department. In fiscal year 1998, police department expenditures exceeded the budgeted amount by over $39,000, although approximately $15,000 of the expenditures were due to the hiring of a police officer whose salary is reimbursed under the COPS Grant program which was not originally budgeted. In fiscal years 1997 and 1996, the fire department expenditures also exceeded the amount budgeted by approximately $11,000 and $4,500, respectively, while in fiscal year 1996 administration expenditures exceeded the budgeted amount by approximately $6,000.

The expenditures in excess of the budgeted amounts in the Water and Sewer Fund for the years ended June 30, 1998 and 1997, are due mainly to extensive repairs to city wells, engineering and grant administration payments related to the community development block grant obtained to upgrade the sewer system, and for the purchase of land to spread the sludge generated from the sewer plant. The total project costs, and related reimbursements, to be paid under the block grant were not included in the original budget and no budget amendments were made for these additional revenues and expenditures. A payment of $25,000 was made for the purchase of land during

the year ended June 30, 1997, that was not budgeted. Payments of $31,600 were made for the purchase of land in fiscal year 1998, while only $25,000 was budgeted.

The Park Fund expenditures continually exceed the amounts budgeted due to under budgeting the amounts spent for park maintenance. For instance, in fiscal year 1998 the city spent $8,000 to pave a walking trail in the city park, but this expenditure was not budgeted.

The city did not prepare amended budgets for these funds during each fiscal year but adopted a resolution only after the end of each fiscal year to amend the budgeted amounts to agree with the actual amounts. This resolution was set forth in the board minutes but no facts or reasons were given for the overspending of each budget.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If there are valid reasons which necessitate excess expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such increases. In addition, the board should cease incurring expenditures when there are no funds available to finance those expenditures.

D. The approved amounts in the budget document are not reconciled to the budget amounts recorded on the computerized general ledger. Some approved budget expenditure amounts were not properly recorded on the computerized accounting system. This condition weakens the reliability of the city's financial data presented on its monthly computer reports and hinders the ability of the board to make sound financial decisions.

E. The city's semi-annual published financial statements do not report detailed information by fund, but rather present the total assets, liabilities, revenues, expenditures, and ending cash balance for all funds of the city combined. The semi-annual financial statement published for the six month period ended December 31, 1997, also did not report the total indebtedness of the city regarding the lease certificates of purchase for $435,000. To better inform the citizens, the city should report financial information separately for each fund.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annually a full and detailed account of the receipts, expenditures, and indebtedness of the city.

F. A formal maintenance plan for city streets has not been prepared annually. A maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen:

A. Prepare budgets for all funds of the city in accordance with state law. In addition, the board should periodically compare actual revenues and expenditures with budgeted amounts to monitor city finances and to ensure actual expenditures do not exceed budgeted amounts.

B. Cease budgeting a deficit balance in the General Fund.

C. Keep expenditures within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the increase and reasons for such should be adopted before the additional expenditures are incurred.

D. Ensure the approved budget amounts agree with the amounts recorded for each fund on the computerized accounting system.

E. Ensure the published financial statements provide the citizens an adequately detailed account of the financial activity and indebtedness of the city.

F. Prepare and document a maintenance plan at the beginning of the year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

A.& C-F. The board concurs with the recommendations.

B. The board concurs and will attempt to implement this recommendation.

3. Expenditures and Contracts

A. The city has a formal bidding policy; however, the city has not followed its written policy on many purchases. While it appears the city has solicited bids for some purchases, bids were not solicited or not documented for other purchases. The city's bidding policy requires a minimum of three oral or written quotations for the purchase or contract for goods or services between $100 and $2,500, and written specifications and newspaper publication for the purchase or contract for goods or services exceeding $2,500. Our review of the city's bidding procedures noted the following:

1) During the years ended June 30, 1998 and 1997, the following purchases were made in which bids were not solicited or not documented:

Used truck	$ 14,500
Computer hardware, software, and training	10,587
Backhoe loader	48,980
Asphalt paving	39,945
Well drilling	18,828
Grinder pump	3,997
Well repair	37,755

City officials indicated various quotes were obtained on the backhoe loader but this documentation was not retained. The city indicated it obtained book values from the local bank upon deciding to purchase the truck, but did not solicit quotes from various dealers on similar trucks. The well drilling expense was considered to be an emergency to repair a city well; however, this emergency situation was not appropriately documented in the board minutes. The well repair related to payments to a contractor for repairing a second city well in which $34,686 of the cost was reimbursed to the city by the rural water district. No bids were solicited by the city, even though the city controlled this project and considered this amount when setting future water rates for the rural water district. The city also obtained a contractor in January 1998 for the repair of a water tower without soliciting bids. This work was not started until July 1998 and the total contract price exceeds $49,000 to be paid over three years.

2) Several items were purchased with values between $100 and $2,500 that did not have three oral or written quotations documented as required by the city's bid policy. These purchases included such items as radio equipment and warranties for $2,079, a blower for $1,365, and an electric motor for $308. While city officials indicated comparable prices were obtained from various vendors on these items and the lowest price obtained, documentation of the quotes was not retained. The city also buys gravel, asphalt, culverts, and

pump grease from local suppliers without obtaining written quotes. City officials indicated that these items are purchased from sole sources within the area; however, this is not documented in the board minutes.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. While the city has established such procedures, they need to ensure the procedures are followed.

Bids can be handled by telephone quotation, by written quotation, by sealed bids, or by advertised sealed bids. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected. In addition, the board minutes should document the reasons bids are not taken due to sole source or emergency situations.

B. The city provides free water and sewer services to the Crocker Community Swimming Pool Committee, a local not-for-profit (NFP) entity that built and maintains the swimming pool in the city park. The pool was opened in 1993 and serves both city and rural residents. The city has provided over $10,300 in water and sewer services at the pool to the NFP from June 1993 through mid-September 1998. City officials indicated that the service was provided free by the city to contribute something toward the operation of the swimming pool since it serves city residents. However, the board did not pass an ordinance authorizing this service and the city did not enter into a written cooperative agreement with the NFP for the services to be provided by both parties. In addition, the city has not entered into a lease contract with the NFP for the use of the land in the city park on which the pool is located.

To authorize the use of water and sewer resources for this purpose and to ensure both parties are aware of their duties and responsibilities, the board should prepare a written ordinance to this effect and a written cooperative agreement should be entered into between the city and the NFP. This ordinance and written agreement should also provide for the use of the land in the city park by the NFP.

C. We noted the following concerns with purchases of some property.

1) In May 1997 the city purchased approximately seven acres of land next to the city park from the local school district for $35,000. The city pays the school district a monthly payment based on the amount of the school's monthly water and sewer utility charge until the full debt is paid off. The payback period of this arrangement, based upon the current monthly usage, is approximately 7 to 8 years. The school district is billed for and pays their monthly water and sewer charge. The city deposits the payment into the Water and Sewer Fund, and the city then writes a check for the same amount back to the school district from the Water and Sewer Fund. The land is not

used for Water and Sewer Fund purposes, and purchasing it from the Water and Sewer Fund does not appear to be appropriate. In addition, the city entered into this agreement and has made monthly payments to the school district since May 1997 without a formal written contract. A written contract was not formally consummated and signed by both parties until July 1998.

Revenues of restricted funds such as the Water and Sewer Fund should only be used for the operation of that fund and should not be used to subsidize the general operations of the city. The General Fund should reimburse the Water and Sewer Fund $5,765 paid through September 1998 and any subsequent payments for the purchase of the land.

2) In March 1997, the city purchased 50 acres of land on which to spread sludge from the sewer plant. The purchase price was $46,600 and the written contract specified a payment of $25,000 in March 1997, with the balance of $21,600 to be paid in January 1998. The city then purchased an additional 28 acres next to this parcel from the same person for $25,000 with a $500 down payment, $10,000 to be paid in January 1998 and the balance of $14,500 plus interest to be paid in August 1998. The city did not enter into a written contract specifying the details of this second purchase. In addition, our review of these payments noted the city overpaid approximately $1,400 to this person due to a miscalculation of interest to be paid. The city should attempt to recover this overpayment.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. A written contract, signed by the parties involved, should specify the land to be purchased and the manner and amount of payments to be made. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

D. In March 1997, the city entered into an installment loan with the local bank in the amount of $18,000 for the purchase of a new police car. This contract obligates the city to a monthly payment of approximately $450 over a period of four years without any option to renew the contract on a yearly basis. At the time of the purchase and also at June 30, 1998, the city's General Fund had a negative cash balance.

Article VI, Section 26a of the Missouri Constitution, states that no city shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years, except as otherwise provided in the constitution.

E. Our review of the expenditures for the city's wastewater system construction project and the related Community Development Block Grant noted that the city overpaid $2,000 to the grant administrator. The city should seek reimbursement of this overpayment from the grant administrator.

WE RECOMMEND the Board of Aldermen:

A. Follow the city's bidding policy on all purchases and retain the necessary bid documentation or written quotes obtained from the various vendors. If a sole source item is purchased or an emergency expenditure is required, these reasons should also be noted in the board minutes.

B. Prepare an ordinance authorizing the provision of water and sewer service to the NFP, and enter into a formal written agreement with the NFP indicating the duties and responsibilities of both parties. This agreement should also provide for the use of the city-owned land in the city park.

C. Ensure there is a formal written contract for the purchase of land. In addition, require the General Fund to reimburse the Water and Sewer Fund the amount of monies spent for the purchase of land from the school district. Also, the Board should attempt to recover the amount overpaid for the land.

D. Not enter into contracts which violate the state law regarding debt.

E. Attempt to recover the amount overpaid to the grant administrator.

AUDITEE'S RESPONSE

A. The board concurs and has started implementing this recommendation by retaining appropriate bid documentation.

B. The board concurs with the recommendation.

C. The board concurs and will attempt to implement the recommendations. The city has attempted to contact the person regarding the amount overpaid and will continue to pursue this matter.

D. The board agrees with the recommendation and will ensure this does not happen in the future.

E. This has now been implemented. The city has now received reimbursement from the grant administrator.

4. Accounting Controls and Procedures

A. The City Clerk and two deputies collect monies, issue receipt slips, record receipt information in the manual cash receipts ledger, and prepare bank deposits. The City Clerk records all receipt information from the cash receipts ledger to the computerized accounting system, and the City Treasurer records the information on her accounting records. During our review, we noted the following problems with controls over receipts:

1) The city accepts cash, checks, and money orders for various types of payments. Receipt slips, while prenumbered, are issued only upon request. In addition, while utility stubs serve as a receipt and are batched together by deposit, paid property tax statements are not batched together by deposit but are filed in alphabetical order.

   The use of prenumbered receipt slips issued in numerical sequence for all miscellaneous monies received would provide better accountability. To help ensure collections are properly recorded and deposited, prenumbered receipt slips should be issued for all miscellaneous monies received and the numerical sequence should be accounted for properly. In addition, paid property tax statements should be filed with the deposit batch information.

2) The method of payment is generally noted on any city receipt slips issued; however, receipt slips are not issued for many receipts, and the method of payment is not recorded in the cash receipts ledger. Therefore, the method of payment cannot be reconciled from the receipt records to the amounts deposited in the city's bank accounts. To ensure all payments received are deposited, the method of payment indicated on city receipt slips should be recorded in the cash receipts ledger and someone independent should reconcile the composition to the composition of bank deposits.

3) Checks and money orders are not restrictively endorsed immediately upon receipt, but upon preparation of the deposit. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

4) Monies received are not deposited intact or on a timely basis. While the cash drawers are balanced out each business day, the monies are not segregated and deposited the next day. City receipts, other than water, sewer, and trash receipts, were deposited approximately three times a week during the year ended June 30, 1998, while water, sewer, and trash receipts were deposited only about twice a week. Monies transmitted from the municipal court for fines and costs were held in a separate cash drawer and deposited by the City Clerk from one week to a month later. Our review also noted that personal checks from city employees and relatives are cashed from city monies.

   To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed $100. Personal checks should not be cashed from city funds.

B. Checks are completed and signed by the Treasurer and held for a day or two in the city's vault until the next board meeting, when the invoices are reviewed and amounts to be paid are approved by the Board. To reduce the risk of loss or misuse of city funds, checks should not be signed before the payment has been properly

authorized or someone independent of the disbursement process should cosign the checks after comparing the checks with the approved listing of bills to be paid.

C. The City Treasurer, who signs all the city checks as the sole signatory, is not bonded. In addition, the Deputy City Clerk is bonded only in the amount of $4,000. This amount may not be adequate based upon the amount of city receipts collected. Failure to adequately bond city employees that handle monies exposes the city to the risk of loss.

WE RECOMMEND the Board of Aldermen:

A.1. Require prenumbered receipt slips be issued for all miscellaneous monies received, and the numerical sequence accounted for properly. In addition, paid property tax statements should be filed with the deposit batch information.

2. Ensure the method of payment is noted in the cash receipts ledger and require someone independent to periodically reconcile the composition per the receipt slips and cash receipts ledger to the bank deposits.

3. Require all checks and money orders be restrictively endorsed immediately upon receipt.

4. Ensure all city receipts are deposited intact daily or when accumulated receipts exceed $100, and discontinue cashing personal checks from city monies.

B. Require the City Treasurer to sign the checks only after all invoices have been approved for payment, or require someone independent to cosign the checks after comparing the checks written to the approved listing of bills to be paid.

C. Ensure all employees with access to city assets are appropriately bonded.

AUDITEE'S RESPONSE

A.1. The board agrees with the recommendation and indicated the city has now started writing receipt slips for all miscellaneous receipts.

2. The board concurs.

3. This has now been implemented.

4. This has now been implemented.

B. The board concurs.

C. This has now been implemented. The City Treasurer is now bonded and the Deputy City Clerk's bond has been raised.

5. Water and Sewer System Controls and Procedures

The city operates a combined waterworks and sewer system that provides service to approximately 600 customers. A review of the city's Water and Sewer Fund records and procedures disclosed the following concerns:

A. There is no independent oversight or adequate segregation of duties related to the city's utility system. Presently, the Deputy City Clerk performs all functions related to generating monthly utility bills, receipting and recording utility payments, making credit adjustments, depositing monies received, and monitoring accounts for delinquencies.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the utility system records and the reconciliations between recorded utility payments and deposits, and an independent review and approval of credit adjustments and delinquent account follow-up.

B. The city has not established formal procedures for making adjustments to individual utility bills and there is no independent review or approval of the credit adjustments recorded on the computerized utility system. While the City Clerk or Mayor verbally authorize adjustments to the water bills upon discussion with the Deputy City Clerk, these adjustments are not formally approved or documented to ensure that all adjustments made were appropriate.

To ensure that all credit adjustments are valid and properly approved, someone independent of receipting and recording functions should review all credit adjustments and proper supporting documentation should be maintained of such adjustments.

C. The city does not have a written policy or ordinance requiring each water and sewer customer to have their own separate meter for each service or establishing the procedures for alternative situations. While the informal policy is that each service should have its own meter, the city has allowed more than one service on the same water meter with each service paying the standard minimum billings plus amounts for additional usage. The city indicated there were several customers where two residences were hooked to the same water meter, and one customer where three buildings were serviced with the same water meter. A review of utility billings noted the city was properly billing the appropriate water and sewer rates based on the customers' monthly usage in accordance with the informal policy.

To adequately inform city residents and to prevent misunderstandings, the city should adopt a written policy on the number of water and sewer hook-ups allowed to each business and residence and the reasons for allowing more than one service to a meter. In addition, the policy should address how these multiple services will be billed.

D. In the past, the city has performed an annual operation and maintenance review of the water system, including comparing total gallons pumped and metered to gallons billed for the year. The city's last review was dated May 1996 and covered the period from November 20, 1994 through November 20, 1995. The city has not performed this review since that time. For the three years of 1993 through 1995 the city's reviews showed gallons of water billed totaling 18 to 22 percent less than gallons of water pumped per the city wells. These differences are due to broken meters, leaks, flushing of lines and hydrants, and city swimming pool and fire department usage.

To help ensure the system is functioning properly without significant unexplained losses, this operation and maintenance review should be performed on a monthly basis.

E. The city sells water to the Public Water Supply District #3 of Pulaski County (PWSD). In August 1996, a new contract was entered into between the city and the PWSD establishing the water rate to be paid to the city. The terms of the contract were negotiated through discussions between the PWSD board and city officials. The city did not maintain documentation supporting how the water rate was determined.

To ensure water rates charged to the PWSD are set at a level sufficient to allow the city to at least recover its costs, the city should document the estimated costs of providing water to the PWSD.

WE RECOMMEND the Board of Aldermen:

A. Segregate the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments deposited and recorded and delinquent account follow-up.

B. Establish formal procedures to require someone independent of the utility system to review and approve all credit adjustments and ensure adequate documentation is retained of such adjustments.

C. Adopt a written policy on the allowable number of water and sewer hook-ups per meter and the method of billing when there is more than one service per meter.

D. Require an operation and maintenance review of the water system be performed monthly, including the reconciliation of gallons pumped and metered to gallons billed.

E. Ensure adequate documentation is retained of the costs considered when establishing the water rate to be charged to the PWSD.

AUDITEE'S RESPONSE

A. The board agrees and has attempted to segregate some duties and will consider ways to establish independent reviews.

B. This has now been implemented.

C-E. The board concurs.

6. Community Oriented Policing Services (COPS) Grant

In April 1995, the city was awarded a Community Oriented Policing Services (COPS) grant through the U.S. Department of Justice for one additional full-time certified police officer. The grant award was for a three year period ending February 29, 1998, and totaled $35,406 with 75 percent being the federal share and 25 percent being the city's matching requirement. The city did not hire an additional officer until July 1997, but has received an extension of the grant until August 31, 1999.

The grant allows the city to periodically request reimbursement of the federal share of allowable costs incurred. As of June 30, 1998, the city had not submitted any reimbursement requests even though the city had paid over $15,000 in salary and fringe benefits through that date. After we brought this to her attention, the City Clerk did submit the first reimbursement request in August 1998. The city subsequently received a reimbursement of approximately $13,500 in October 1998.

The board should review this situation and ensure the appropriate federal funds are drawn down timely.

WE RECOMMEND the Board of Aldermen review this grant and take action to ensure the federal monies available for this grant are drawn down on a timely basis.

AUDITEE'S RESPONSE

The board agrees and indicated that drawdowns are now being made on a quarterly basis.

7. Personnel Policies and Procedures

A. We noted the following concerns regarding the duties, compensation, and terms of office of appointed officials and employees:

1) The city has not adopted an annual ordinance to establish the compensation of appointed officials and employees. Every May in closed session, the board reappoints the officials and employees and sets the compensation for the next fiscal year beginning in July. Neither the board minutes nor the budgets provide a detail of salaries paid to each appointed official and employee.

2) While a city ordinance provides that the City Clerk shall be appointed in May of every year and the annual compensation to be paid takes effect in July, at the start of the next fiscal year, the board approved an increase in compensation to the City Clerk effective January 1, 1998. The Mayor indicated that the City Clerk was awarded a new position titled Administrative City Clerk because of additional duties imposed upon her by the city. According to the Mayor, the additional duties require the City Clerk to become a manager between all city departments and to attend conferences or seminars with or on behalf of the Mayor. The Mayor indicated this was discussed by the board in a closed session and then noted in the regular board meeting; however, this activity was not recorded in the board minutes and no ordinance was passed establishing this new position or the new duties.

Sections 79.270 through 79.320, RSMo 1994, require that the duties, powers, compensation, and term of office of city officials and employees be established by ordinance. Also, compensation rates set by ordinance, in addition to meeting statutory requirements, document the approved amounts to be paid and reduce potential misunderstandings regarding the amount of pay each city official and employee is to receive. In addition, ordinance hearings provide for public input and information concerning the salaries paid.

B. The city does not have a written policy on use of city vehicles for commuting purposes. The Public Works Superintendent is provided a city-owned truck for commuting to and from home each day. City officials indicated this employee is on call 24 hours a day due to emergency situations. As a result, the city considers it necessary that he take the vehicle home and excludes the commuting usage from his compensation for tax purposes. The employee did not maintain a log indicating the amount of business and personal use incurred for this vehicle, nor did the city document the emergency situations responded to by the employee.

IRS guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle is to be

reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage.

C. We noted the following concerns related to timesheets:

1) While all city employees maintain time sheets, the time sheets maintained for employees other than police officers are completed by the City Clerk rather than the employees. These time sheets do not indicate the hours worked each day, but only the hours taken off by the employee for sick leave, annual leave, and compensatory time. In addition, these time sheets are not signed by the employee or the supervisor.

2) The time sheets do not indicate the hours worked by activity for each employee nor has the city performed any other time study to serve as a basis for allocating salary and fringe benefits to the appropriate funds. Currently the city pays two deputy city clerks entirely from the Water and Sewer Operation and Maintenance Fund even though part of their duties are not water and sewer system related. In addition, two employees who work on the city's water and sewer system, city streets, and in the city park are paid entirely from the Street Fund.

   Time sheets should be adequately detailed, or some other time study should be performed, to ensure that payroll costs are charged to the appropriate funds.

Properly completed time sheets showing actual hours worked each day by function or activity and time taken off, along with the employee's and supervisor's signatures, are necessary to ensure that payroll expenditures are proper.

D. The city is not consistently following some of its written personnel policies. The city's personnel policy states that overtime pay is not to be paid to department heads. However, department heads such as the City Clerk, Chief of Police, and Public Works Superintendent have received overtime payments for additional hours worked. According to city officials, during the years ended June 30, 1998 and 1997, the city paid approximately $1,300 and $1,900, respectively, in overtime to the department heads. The policy does not describe under what circumstances overtime will be paid, at what amount, and the number of hours that can be accumulated.

In addition, the city personnel policy does not indicate whether total vacation hours earned can be carried forward into the next fiscal year although the usual practice is to not allow such a carryover. City employees were allowed by the Mayor to carry unearned vacation leave from 1997 into 1998. This was due to unusual circumstances that occurred in 1997 primarily related to time spent to implement and train on a new computerized accounting system. The board minutes did not reflect the circumstances necessitating the carryover.

The city should consistently follow its personnel policies or amend the policies as necessary.

WE RECOMMEND the Board of Aldermen:

A. Establish by ordinance the position, duties, and term of office of Administrative City Clerk, as well as the compensation of all appointed officials and employees.

B. Include the value of personal usage of the city vehicle as compensation on the employee's W-2 forms. The board should adopt a written policy on the usage of city-owned vehicles, and related record keeping requirements.

C.1. Require time sheets be completed for each employee showing the actual hours worked each day along with hours taken off, and ensure all time sheets are signed by the employee and approved by the supervisor.

2. Require time sheets to show the actual hours worked by function or activity to properly allocate employee salary costs and fringe benefits to the appropriate funds.

D. Ensure the written personnel policies are followed or amend the policies as necessary. In addition, a written policy regarding the carryover of unused leave should be developed.

AUDITEE'S RESPONSE

A. The board concurs and is in the process of adopting an ordinance regarding the position of Administrative City Clerk.

B&D. The board concurs.

C. The board concurs and will attempt to implement this recommendation.

8. Board Policies and Procedures

A. The city maintains minutes of the closed sessions of the board meetings. However, one set of closed session minutes could not be located and some closed session minutes did not specifically document what was discussed but just made a general statement that a certain topic was discussed.

Section 610.021, RSMo Cum. Supp. 1997, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel issues. Adequate closed session minutes are necessary to document and record official board decisions and actions affecting city government and the public, and to ensure compliance with the Sunshine Law.

B. A tentative agenda is prepared and posted for each board meeting; however, the agenda is usually in a standard form and does not disclose specific information to be discussed for the upcoming meeting. Also, the standard agenda notes that a closed session meeting may be held, but sometimes a closed session meeting is not actually held. In addition, when a closed session is held the agenda does not indicate the specific topic to be discussed.

To adequately inform the residents of the business to be discussed during the board meeting and to ensure compliance with the Sunshine Law, the tentative agenda should summarize the topics to be discussed during the meeting and, when applicable, clearly indicate the reason for holding a closed meeting.

C. While the city discussed at various times in the board minutes the purchase of approximately 78 acres of land for $71,600, the board minutes did not disclose the details surrounding this purchase. The city had in the past been using this land close to the sewer plant for hauling sludge from the sewer plant and had also hauled sludge to some landowners outside the city. The board minutes did not document the reasons for buying the land, the amount of acreage required to spread the sludge, or other alternatives the city may have had at the time such as locating other land for sale or contracting out to spread the sludge. To fully document the reasons for such a large transaction, to ensure the city has considered all possible alternatives that would be beneficial to the city, and for the taxpayers to be properly informed, the board minutes should contain all necessary information surrounding the transaction.

D. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records and should establish a cost for providing copies of public records.

Section 610.023, RSMo 1994, lists requirements for making city records available to the public, and Section 610.026, RSMo 1994, allows the city to charge fees for copying public records, but the fees shall not exceed the city's actual cost of document search and duplication.

WE RECOMMEND the Board of Aldermen:

A. Ensure adequate minutes, including the major topics and points of discussion, are maintained for all closed meetings.

B. Require the tentative agenda to summarize the topics to be discussed during the board meeting and include on the agenda the purpose of any closed sessions.

C. In the future, include all pertinent information and possible alternatives concerning a large transaction in the board minutes.

D. Establish a formal written policy and procedures regarding public access to city records.

AUDITEE'S RESPONSE

A-C. The board concurs.

D. This has now been implemented.

9. Municipal Division

A. Monies collected by the court are not transmitted to the city on a timely basis. Transmittals were made approximately once every two to three weeks, and averaged over $580 during the year ended June 30, 1998. To adequately safeguard receipts and reduce risk of loss, theft, or misuse of funds, transmittals should be made daily or when accumulated receipts exceed $100.

B. Court costs were not assessed or collected in accordance with state law. Court costs were reduced from $20 to $14 for violations occurring on city streets as opposed to the state highway. A $5 Crime Victims' Compensation (CVC) fee and a $1 Peace Officer Standards and Training Commission (POSTC) fee were not charged on municipal ordinance violations on city streets. Sections 595.045.1 and 590.140.1, RSMo Cum. Supp. 1997, require fees for CVC, Law Enforcement Training (LET), and POSTC be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

C. The municipal division files with the city a monthly report of all cases heard in court; however, during the year ended June 30, 1998, four months of monthly reports could not be located and two additional monthly reports were not added correctly. All monthly reports should be retained and mathematically correct to properly reflect the monthly activity of the court.

D. The municipal division accepts cash, checks, and money orders for fines, court costs, and bonds. Some receipt slips issued by the municipal division and some court transmittal pages did not indicate the method of payments received. Therefore, no reconciliation can be performed between the composition of receipt slips issued by the court and monies transmitted to the city treasury for deposit. To ensure all receipts are transmitted intact, the method of payment received should be indicated on the receipt slips and the court transmittal pages. In addition, the composition of receipt slips issued should be reconciled to the composition of transmittals and bank deposits.

A condition similar to D was also noted in our prior report of the municipal division.

WE RECOMMEND the Municipal Division:

A. Transmit receipts to the city intact daily or when accumulated receipts exceed $100.

B. Assess court costs in accordance with state law.

C. Ensure that all monthly reports are retained and are mathematically correct.

D. Indicate the method of payment on all receipt slips issued and the court transmittal pages, and reconcile the composition of receipt slips issued to the composition of monies transmitted and monies deposited.

AUDITEE'S RESPONSE

The Municipal Division Judge provided the following responses:

A. We will attempt to implement this recommendation.

B. We will take this recommendation under advisement.

C&D. I concur with the recommendations.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *

OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

CITY OF SLATER, MISSOURI

YEAR ENDED DECEMBER 31, 1997

MARGARET KELLY, CPA

Report No. 99-01
January 4, 1999

CITY OF SLATER, MISSOURI

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P.O. Box 869
(573) 751-4824

To the Honorable Mayor
and
City Council
City of Slater
Slater, Missouri 65349

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Slater, Missouri. The city had engaged Wilson, Toellner, Pilliard & Associates, P.C., Certified Public Accountants (CPA firm), to perform a financial audit of the city for the year ended December 31, 1997. To minimize any duplication of effort, we reviewed the report and substantiating work papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended December 31, 1997. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.

2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.

3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed council minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Slater, Missouri.

Margaret Kelly, CPA
State Auditor

October 1, 1998

HISTORY AND ORGANIZATION

CITY OF SLATER, MISSOURI
HISTORY AND ORGANIZATION

The city of Slater was originally incorporated in 1878 as a village, and is presently a third-class city. The city is located in Saline County and its population in 1990 was 2,186.

The city has a mayor and an eight-member city council, electing two council members from four different wards within the city. The mayor is elected every four years and four council members are elected every year and serve a term of two years. At December 31, 1997, the Mayor and members of the City Council were as follows:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31, 1997	Amount Of Bond
Andree' Petersen, Mayor	April 1998 (1)	$ 6,500	80,000
Brownell Bryant, Council Member	April 1998 (1)	1	
David Guthrie, Council Member	April 1998 (1)	1	
Cathie Jeffries, Council Member	April 1998 (1)	1	
J.H. Audsley, Council Member	April 1998 (1)	1	
Ron Monnig, Council Member	April 1999	320*	
Stephen Allegri, Council Member	April 1999	320*	
Fred Hayes, Council Member	April 1999	320*	
Terry Jordan, Council Member	April 1999	320*	
Other Principal Officials			
Russell Griffith, Assistant City Administrator/City Clerk		28,000	80,000
Keith Wright, Chief of Police		29,755	
Patrick Cronan, City Attorney		21,578 **	
Edward McInteer, Municipal Judge		2,475	
James Audsley, Municipal Court Clerk		3,261	7,000

(1) Reelected in April 1998.

* Actual compensation was $160 greater than that allowed by city ordinance.

** This amount represents total payments made to the City Attorney's law firm during the year ended December 31, 1997.

At December 31, 1997, the city had approximately 25 full-time employees.

The city's assessed valuation and tax rates for the tax year 1997 are as follows:

ASSESSED VALUATION

Real estate	$ 7,111,555
Personal Property	2,820,513
Railroad and utilities	106,466
Total	$10,038,534

TAX RATES PER $100 ASSESSED VALUATION

General Fund	$ .63
Park Fund	.17
Library Fund	.19
Debt Service Fund	.32
Total	$ 1.31

Property taxes are collected by the Saline County Collector and disbursed to the city of Slater.

The city had the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date
General	$.010	None
Capital improvements	.005	1999
Transportation	.005	1999

MANAGEMENT ADVISORY REPORT

CITY OF SLATER, MISSOURI
SUMMARY OF FINDINGS

1. Loan to Slater Development Corporation (pages 9-10)

   In December 1997, the City Council authorized the loan of $608,000 to the Slater Development Corporation for the purpose of financing the construction of a building to be leased to the new Place's Department Store. It appears this economic development venture was not handled in accordance with current statutes which authorize such activity.

2. Use of Utility Funds (pages 10-13)

   The city has used city utility funds to subsidize other city operations. No ordinance(s) could be located to authorize the gross receipts tax transfers from the Wastewater and Water Funds to the General Fund. In addition, the gross receipts tax percentages levied on these funds' revenues were increased in 1997. Besides these transfers, from January 1994 to August 1998, the city transferred almost $450,000 from the Electric Fund to the Capital Improvements Fund to help pay for various expenditures made from that fund. Also, the loan of $608,000 to the Slater Development Corporation was made from the Electric Fund.

3. Expenditures (pages 13-18)

   The city does not have a formal written bidding policy, and the city did not publicly advertise for bids on several large construction projects, including the new city hall building. Several expenditures were noted which do not appear to be a prudent and necessary use of public funds. Excess compensation of $160 was paid to four council members in 1997.

4. Use and Disposal of City Property (pages 18-20)

   City employees have been allowed to use city equipment at various times for personal use at no cost. The city did not make a reasonable effort to sell two properties owned by the city at fair value. In 1997, the city donated a building and lot to a private corporation; however, this property was not used for the purpose intended.

5. Council Meetings, Minutes, and Ordinances (pages 21-22)

   The City Council minutes do not reflect all significant areas of discussion or actions taken by the council. Matters were discussed in closed session which do not appear to be allowed by Section 610.021, RSMo. Upon final disposition of matters discussed in closed meetings, it is not evident the final disposition is always made public. Closed meeting minutes were not always signed.

6. Budgetary Practices and Financial Reporting (pages 22-24)

The budgets did not include the beginning and projected ending cash balances for any of the funds budgeted, and the city exceeded the budgeted expenditure amounts in various funds during the years ended December 31, 1997 and 1996. The city has not published semiannual financial statements as required by law.

7. City Funds (pages 24-26)

Separate funds have not been established as required by state law to account for the one-half cent transportation sales tax revenues used for street improvements or for the debt service property tax revenues used to pay the principal and interest requirements of its general obligation bonds. The city has credited all interest earned on its main operating account to the General Fund instead of it being properly allocated among the various funds.

8. City Contracts (pages 26-27)

The city does not have a written agreement with its depositary bank as authorized by Section 95.285, RSMo 1994, nor has it entered into a written contract with the City Attorney for legal services.

9. Internal Controls (pages 27-28)

The city's segregation of duties could be improved. The city allows personal checks to be cashed from the daily cash receipts. The approval of adjustments made to utility bills is not documented.

1. Loan to Slater Development Corporation

In December 1997, the City Council approved the loan of $608,000 to the Slater Development Corporation (SDC), a private enterprise, for the purpose of financing the construction of a building to be leased to the new Place's Department Store in Slater. The loan is for 15 years, at 4 percent interest rate, and is to be repaid in equal annual installments of $54,000. The $608,000 was disbursed by the city to the SDC in various amounts from December 1997 through May 1998. The monies from the loan were then used to construct a building as well as to pay the costs of acquiring real estate and preparing the site for the new building. The building and land are owned by the SDC. In July 1998, the SDC assigned the monthly rental payments of $4,500 to the city of Slater to apply to the promissory note.

It is not uncommon for cities to get involved in economic and industrial development ventures; however, it does not appear this project was handled in accordance with current statutes which have been established for that purpose. The SDC has been in existence since 1948. In more recent years, the Missouri General Assembly has enacted laws, including those in Chapter 349, RSMo, pertaining to economic and industrial development.

Provisions in Chapter 349, RSMo, provide for the establishment of industrial development corporations; however, these entities differ from the SDC in various respects. Chapter 349, RSMo, provides that the directors of a corporation established under this chapter's provisions shall be appointed by the chief executive officer of the municipality and approved by a majority of the governing body of that municipality, provides that the notes and bonds of the corporation are securities in which all public bodies (including municipalities) can legally invest, and provides that upon termination or dissolution of the corporation, all rights and properties of the corporation shall pass to the municipality. In addition, such corporations are required to file annual reports with the state Department of Economic Development regarding any note and/or bond issuances of the preceding year. These statutes have been established to provide safeguards and ensure appropriate review, accountability, and legal compliance.

The city should ensure future economic and industrial development projects are handled in accordance with those statutes which authorize such activity.

WE RECOMMEND the City Council ensure any future economic or industrial development ventures are handled in accordance with current statutory provisions which authorize such activity.

AUDITEE'S RESPONSE

The City Council provided the following response:

Place's Discount Store: The city has been critiqued for the $608,000 loan at 4 percent for 15 years from the Electric Fund's retained earnings to the Slater Development Corporation to assist in the acquisition of the new Place's Discount Store. The city recognizes the financial integrity of the Electric Fund as an "Enterprise Fund". However, the city will continue to pursue economic and industrial development opportunities that will ensure the financial integrity of the city while maintaining the competitive pricing of our utilities.

Numerous Missouri Revised Statutes, but particularly Section 349.012, authorize the city's governing body the power to spend its funds to promote commercial and industrial development, to engage in any activities either on its own or in conjunction and by contract with any not-for-profit organization which it deems necessary to carry on such promotional work. Given this, it seems legal that the city of Slater does have the authority by state statutes to actively pursue economic development and industrial growth.

The city feels the benefits of employment, utilities, sales tax, property tax, the removal of potentially dangerous buildings, downtown revitalization, and economic development outweighs any criticism it has caused.

The city would, if at all possible do this project or another one like it in the future the exact same way, as the Slater Development Corporation was in existence long before other current legislation took effect.

AUDITOR'S COMMENT

We are not criticizing the city for pursuing economic development. Our concern is that the city do so in a prudent manner that ensures public accountability and is consistent with statutes which have been established for that purpose. In addition, the city's reference to Section 349.012, RSMo, would not appear to support the city's handling of this matter since the SDC is not a not-for-profit organization.

2.	**Use of Utility Funds**

For a number of years, it appears the city has transferred monies from the various utility funds to other city funds, and it appears these transfers have been a regular part of the city's budgeting and funding process. Our review of this area disclosed the following:

A. During the year ended December 31, 1997, the city levied a gross receipts tax on electric, wastewater (sewer), and water revenues of the city of approximately ten percent, fifteen percent, and fifteen percent, respectively. Gross receipts tax transfers from the Electric Fund, Wastewater Fund, and Water Fund to the city's General Fund

totaled approximately $126,000, $30,000, and $53,000, respectively, during the year ended December 31, 1997.

While the gross receipts tax for the Electric Fund was established by ordinance in 1988, no ordinances could be located to authorize the gross receipts tax being transferred from the Wastewater and Water Funds. In addition, the gross receipts tax percentage levied on wastewater and water revenues represented an increase from recent years prior to 1997, when it appears the gross receipts tax levied on these utilities was between eight and ten percent.

The increase in the gross receipts tax in 1997 presents a question under the Hancock Amendment as to whether the increase requires voter approval. The council should review this matter and determine whether voter approval is necessary. In addition, the council should ensure any gross receipts tax levied on these utility revenues is properly established by ordinance.

B. In addition to the transfers noted above, the city transferred additional amounts of almost $450,000 from the Electric Fund to the Capital Improvements Fund from January 1, 1994, through August 31, 1998, as follows:

Year Ended December 31,	Amount Transferred
1994	$ 74,000
1995	74,916
1996	75,000
1997	124,992
Period January 1, 1998 through August 31, 1998	100,000

It appears these transfers were made to help pay for various expenditures made from the Capital Improvements Fund, including street construction and materials for paving the city streets, and replacing city vehicles and equipment. In addition, as noted in MAR No. 1, in late 1997 and 1998, the city loaned a total of $608,000 to the Slater Development Corporation for the purpose of building a new Place's Department Store. This loan was made from the city's Electric Fund.

The city has not changed its electric rates since 1988. In 1996, the new contract with the provider of the city's electricity reduced the city's annual cost of electricity by approximately $120,000 per year; however, the city did not reduce the electric rates to its customers and has maintained its rates at the same level.

It does not appear appropriate to subsidize other city operations or make loans from electric utility monies. As a result of this situation, utility rates may be set higher than necessary to recover actual costs and city utility customers are being required to subsidize economic development ventures or the cost of other city services through the payment of their utility bills.

WE RECOMMEND the City Council:

A. Review the gross receipts tax levied on the wastewater and water revenues and reconsider whether the recent increase is subject to voter approval. In addition, the council should ensure any gross receipts taxes are established by ordinance.

B. Limit expenditures or transfers from the Electric Fund to only those that are properly authorized and those which are necessary to properly operate the city's electric utility operations.

AUDITEE'S RESPONSE

The City Council provided the following response:

Over the last five years the city has transferred an average of 9.8 percent on electricity, 11 percent on water and 10 percent on wastewater. This is relatively low compared to the 26 and 43 percent from the 1965 budget. We do not feel the 10 percent average is excessive when the General Fund supports a 24-hour police department, 24-hour dispatch (which includes ambulance, rural fire, fire, animal control and police), a volunteer Fire Department, Animal Control, Emergency Management, Municipal Court Legislation, Administration and Public Works (which includes snow removal, storm water drainage, storm clean-up, street maintenance, etc.) At different times the General Fund has had to assist other departments that have not at certain times had enough funds to support themselves in lieu of closing that department, such as the swimming pool.

The city feels we provide a high level of utility services at the lowest possible cost without reducing services in other areas. The residents of Slater have not seen an electric rate increase since 1981 and in fact saw a decrease in 1988. The 1991 water rate increase and the 1992 sewer rate increase were due to voter approved bond issues, not transfers. Also, considering the State Auditors' dismal record in court regarding its interpretation of the Hancock Amendment and the fact it does not offer any authority to back up its opinion, no reasonable person would consider Hancock on this subject. Therefore, the city feels Hancock does not apply because no user fee increase has occurred. The city would also like to quote the Missouri Supreme Court's opinion, Pace vs. city of Hannibal, 680 S.W.2d 944(1984). Increase in gross amounts of funds voluntarily transferred by city board of public works to the city's general revenue fund as a "payment in lieu of franchise tax" is not violative of the Hancock Amendment. For the future, the city will consider calling the transfers PILOTs (Payments in Lieu Of Taxes) to eliminate the State Auditors' and others' confusion on taxes, licenses, and fees which Hancock refers. The City of Columbia uses this term for gross receipt transfers.

During the last five years the city of Slater has transferred an average of 7 percent electric revenue to Capital Improvements to fund swimming pool renovations, purchase police cars, construct a new dog pound, purchase equipment such as a backhoe, bobcat, used bucket truck, make payments on the Public Works building, resurface tennis and basketball courts, contribute toward the new baseball field, etc. A large portion is also spent on street overlays as the sales tax issue generates approximately $100,000 per year and the city overlay plan costs approximately $140,000 on the average. We do not feel the 7 percent average is excessive and feel the citizens of Slater benefit greatly from the budgeted use of these funds. The electric department has and will continue to be the bread and butter of the city. All departments do not have the luxury of having funds to perform

much needed improvements. There have been no rate changes since 1988 at which time a reduction was made and no increases are planned for the near future. It has been a practice of the city fathers for over 30 years to transfer enterprise funds to other needy departments.

Currently, no other enterprise fund (water and sewer) makes contributions to capital improvements as bond covenants do not allow it, but all funds receive the benefits of the Capital Improvements Fund. Any new equipment such as backhoes, bobcats, trucks or other equipment are used by all departments and not just the department that actually paid for it. If that is the way it's supposed to be we will go broke purchasing two or three of everything. However, the city does recognize the financial integrity of the enterprise funds. As no state statute seems to exist that determines if and how much that can be transferred from an enterprise fund to the General and Capital Improvements Funds, the council will establish an ordinance regulating the reasonable amounts (percents) to be disbursed to these funds in the future as has been done in the past.

The city's residents, not just property owners, have placed a fiduciary trust in their city officials (by electing them) to expend public funds in a necessary and prudent manner, to ensure as many services as possible at the most reasonable cost.

AUDITOR'S COMMENT

A. In the court case referred to by the city in its response, the gross receipts tax rate had not been increased. Therefore, that situation was different from the one cited in this finding. We are not criticizing the quality of city-run programs and services; however, the revenues supporting these programs/services should be approved by the city's voters, if increased since 1980 (when the Hancock Amendment was passed).

3. Expenditures

A. The city does not have a formal written bidding policy. As a result, the decision of whether to solicit bids or proposals for a particular purchase is made on an item-by-item basis. In addition, it appears the city does not generally publicly advertise for bids or solicit written bids even in instances where the circumstances would seem to warrant doing so. While city officials indicated they frequently obtain proposals or quotes over the telephone, documentation of these proposals is often not maintained. Our review disclosed the following expenditures which we do not believe were procured in a reasonable and prudent manner:

- In January 1998, the city entered into a construction contract with a contractor from outside the area for a new city hall building at a cost of $199,864, with the building scheduled to be completed in November 1998. The city did not publicly advertise for bids for the construction of this building. Although it appears the city contacted several companies/contractors about submitting proposals, this was done over a two-year period. It appears the city obtained written proposals from three different contractors dated November 1996, October 1997, and January 1998,

respectively. The city ultimately accepted the last proposal dated in January 1998.

While the last proposal was the lowest submitted, by not requiring and evaluating proposals submitted by contractors at the same time, the competitive bidding process may have been compromised.

- In 1998, the city spent over $26,000 on concrete for new sidewalks on Main Street. It appears the city solicited two proposals for this material, receiving one written proposal and another by telephone. Although the city took the lower of the two proposals, the city did not publicly advertise for bids for this material.

- Since 1994, the city has contracted to have several city streets resurfaced. According to city officials, the city has used one particular contractor to perform the curbing and guttering work and another to spread the asphalt on the city streets. During the year ended December 31, 1997, and the period from January to August 1998, the city paid these contractors over $22,000 and $252,000 for curb and gutter and asphalt work, respectively. The city did not publicly advertise or solicit written proposals regarding this street work.

In these situations, it appears the city did not assure itself that it received the lowest and best price on the completed projects since the work was not properly bid. Considering the extent of these expenditures, it appears that advertising for bids on these projects would have been a reasonable and prudent procedure.

In addition to those expenditures noted above, other expenditures made by the city in which bids were not solicited or documentation was not maintained included $8,468 for utility poles, $11,622 for transformers, $2,131 for maintenance on city computers, $2,267 for the purchase of a computer for the police department, $1,604 for chlorine for the city swimming pool, and $14,744 for the purchase of lime for the sewer plant.

Formal bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. We noted several expenditures which do not appear to be a prudent and necessary use of public funds. These included:

1) Various donations totaling $200 and $75 during the year ended December 31, 1997 and first eight months of 1998, respectively, were made to the Purple Ribbon Club, Slater After Prom, and to a local Girl Scout troop.

2) During the year ended December 31, 1997, the city purchased $500 in tickets from the Old Age Transportation Service (OATS) for senior citizens to ride the OATS bus.

3) During the year ended December 31, 1997, the city expended $1,477 on behalf of city employees and their families for Christmas dinners held in 1996 and 1997 and for an employee picnic held in the summer of 1997.

4) In December 1997, all full-time employees, including the Mayor and City Clerk, received a bonus of $30 (net of taxes) and all part-time employees received a bonus of $20. The cost of these bonuses totaled approximately $1,100. It appears year-end bonuses were also paid to employees in previous years.

   Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "... a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

5) In August 1997, the city paid over $60 to a restaurant for a going away dinner for a city employee.

The expenditures noted above do not appear to be necessary costs of operating the city and constitute a questionable use of public funds. The city's residents have placed a fiduciary trust in their city officials to expend public funds in a necessary and prudent manner.

C. In December 1996, the City Council passed an ordinance authorizing the compensation of council members to be raised to $20 per month. Compensation to council members had previously been set at $1 per year. This increase was effective May 1997 for those council members whose term of office expired April 1997. The city's policy is to pay council members in December for all compensation owed in that calendar year.

Four city council members were authorized to receive this increased compensation in 1997 and should have received total compensation of $160 for the eight months ended December 31, 1997. However, in December 1997, each of these council members was paid $320, resulting in excess compensation of $160. It appears these overpayments occurred because the compensation was computed on a per meeting

basis rather than a per month basis. In addition, the city did not withhold any payroll taxes from the council members' salaries.

According to city officials, the overpayments were noted prior to our review and the city had planned to adjust the compensation paid in December 1998 to correct this matter.

The city should ensure the excess compensation paid to the applicable council members in 1997 is corrected, and withhold the necessary payroll taxes from council members' salaries in the future. In addition, the city should ensure compensation paid to council members is paid in accordance with city ordinances.

WE RECOMMEND the City Council:

A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. The city policy should require publicly advertising for bids on significant construction projects.

B. Ensure expenditures from city monies are a prudent use of public funds and are limited to those necessary to properly operate the city.

C. Ensure the excess compensation paid to council members in 1997 is corrected, and ensure payroll taxes are properly withheld from the council members' salaries in the future. In addition, the city should ensure council members are paid in accordance with city ordinances.

AUDITEE'S RESPONSE

The City Council provided the following response:

No bidding policy: You are correct in saying that we have no written bidding policy. Our existing policy is to bid when we think we can save money, and to not bid when we think that procedure will save us money. This is the same bidding policy that most people have in their private homes. Bidding is not a cost-free activity. There is no state statute which requires bidding. The purpose of the bidding policy is to save the taxpayers money, and not to be some slavish device which costs more than the benefits. We can point to several instances where a rapid purchase of a major item "on sale" or "at a steal" has saved the people of Slater significant amounts of money. Delaying the procedures and taking formal bids would not have resulted in as good a price. The city does follow state bidding procedures on all state and federally funded projects. A written policy might be considered in the future and better documentation will be kept. However, the best bid is not always the low bid. Patronizing your town, a supplier, county etc. does mean a lot.

City Hall was not officially bid in all respects. However, Samson, Buller and Esser developed plans and specifications over two years ago. After different proposals were solicited that exceeded expectations, changes were made, more proposals received and award of contract on an engineered

metal building with no basement. For not being officially bid, the city did consult with seven contractors.

City crews did the demolition work and the city bought all materials on the sidewalks. The State Bank of Slater paid for the installing labor for this project. Bids were solicited by the city for the red concrete from two local suppliers.

Donations. You criticize some donations which have been made by the City of Slater totaling $275 to the FFA Purple Ribbon Club, Girl Scouts, and the drug and alcohol free after prom party. We are well aware that the Constitution requires a public purpose for any expenditure of funds. The Mayor made these contributions because of the work of these groups in helping to raise our children and to prevent juvenile delinquency. One of the primary purposes of our government is to assist in the education of our children and to help them become productive citizens. While your staff says that such donations were not "prudent", we believe that they were of small amount and a definite "prudent" use of the city's money. The Missouri Municipal League (MML) mission policy strongly supports the use of funds for community education; i.e. alcohol and other drug related programs, prevention of juvenile delinquency, gang activities, teenage pregnancy etc. Do these donations qualify?

OATS Bus Tickets: The City of Slater has for many years purchased $500 worth of tickets for the OATS bus service and distributed those tickets to persons over the age of 55 who requested. The first year that we did this, we had a written contract. In subsequent, the matter has been renewed on an oral basis. We believe it is important for the older citizens of our community to have access to medical care. As we have been unable to attract a physician, and there is no hospital within walking distance of Slater, Missouri, we think providing OATS bus tickets is reasonable to support our elderly citizens.

We do not impose a "means test" for the tickets-even the wealthiest person can request this OATS subsidized bus ticket. We believe that the system is not being abused, and that there is a decided advantage in making the tickets available to everyone so there is not stigma attached to those who use the tickets. The city will look closely at all future donations and try to establish contracted activities for these donations. Again, the (MML) policy urges all levels of government to recognize the needs of senior adults and strive to provide transportation assistance necessary for shopping, <u>doctor visits</u>, education, entertainment and most importantly, access to nutrition sites.

Overpayment of Council Members. The City Council set the pay for members of the Council at $20 per month. This was done to attempt to encourage more people to run for the office and compensate those that are in office for their time and public scrutiny they must endure. In 1997, Council Members were paid <u>$20 per meeting</u> due to an error. The city staff pointed this out to your staff upon arrival. We intend to correct the problem during the calendar 1998, by deducting the overpayment from the pay of members of the City Council.

You criticize our Christmas party and the picnic that we have for our employees. These activities are held two or three times a year and cost the taxpayers about $1,500 total for both. You seem to think that those expenditures do not have a public purpose.

However, if we had "required" meetings instead of the "voluntary party", we would have to pay our employees their hourly rate of pay. Such requirements would also either result in a reduction of service to the citizens or have the requirement that we pay overtime. The hourly rate for our employees would probably be more expensive than the cost of the individual picnic or party. Having an event with social overtones is cheaper for the city than having mandatory meetings, and it also allows us to express our appreciation to the spouses of our employees for any impositions that may be imposed upon them. We expect to continue this practice. For a relatively modest amount of money ($1,500 a year), we improve the morale and productivity of our workers, and the citizens of Slater are benefited as a result. We will be referring to our future gathering as safety programs for future references.

Bonuses: What you call bonuses, we call "Christmas presents". We have provided small gifts to our employees every holiday season since at least 1948. We do not intend to change. You apparently think that such payments are prohibited by the Constitution; we disagree. We are working to gradually improve productivity of our work force, and one of the ways we are doing so is by thanking our employees for excellent behavior. We think these small gifts serve a useful purpose. Obviously there can be a point at which the bonuses are excessive in relation to the benefit provided to the taxpayers. The City of Slater is nowhere near that point.

4. Use and Disposal of City Property

A. City employees have been allowed to use city street equipment (i.e. dump truck, bobcat, backhoe, etc.) at various times for personal use at no cost. City officials indicated such personal use is allowed if approved verbally by the Mayor. The city does not have a written policy regarding the personal use of city equipment by city employees/officials.

It does not appear appropriate for city employees/officials to use city equipment for personal reasons at no cost. In addition, use of city equipment for personal reasons could expose the city to additional liability. The city should review whether it is appropriate to allow city employees to use city equipment for personal reasons. If the city wishes to allow such use of city-owned equipment, the city should adopt a written policy addressing this matter and establish a reasonable charge structure which will cover the costs of operating the equipment.

B. The city disposed of several pieces of real estate in recent years. Our review of this area disclosed the following concerns:

1) In 1995, a local businessman donated a building and lot to the city. According to city officials, this individual received a certificate of value from the bank valuing this property at $12,000 to $15,000. City officials indicated that the city did not have a use for the property and did not want to bear any expense of possible demolition of the building. As a result, the city council decided to sell the building. In September 1995, the city advertised the sale of the building in the local newspaper on a Wednesday, with the ad

stipulating that the bids would be accepted until the following Tuesday (less than a week later), on the day of the regular City Council meeting. The city received only one bid for the property in the amount of $2,400 from Councilman Allegri. The City Council voted to accept the bid for the property, with Councilman Allegri abstaining.

A similar transaction also occurred in 1996. The City Council again decided to sell a building and lot which had been donated to the city. According to city officials, this building was valued by the bank at around $12,000. In October 1996, the city advertised this property, again only in the local newspaper on a Wednesday with bids required to be submitted by the following Tuesday. Again, only one bid was received for this property in the amount of $2,000 which was from former Councilman Muse. The city council voted to accept this bid, with former Councilman Muse abstaining. According to city officials, Councilman Muse eventually sold this building and lot to the Slater Development Corporation (SDC) for $8,000.

It appears the city did not make a reasonable effort to sell these properties at fair value. The city did not obtain appraisals to determine the market value of the buildings and lots. In addition, by advertising these properties only once locally and requiring any interested parties to submit a bid in a period of time less than a week, it appears the city possibly reduced the number of individuals interested in bidding on these properties. Further, it seems unreasonable, and possibly inappropriate, for the city to have accepted the lone bids on these properties considering it had reason to believe the value of the properties was considerably higher and the bids were submitted by members of the council.

The city should make a reasonable effort to ensure city property is sold at fair value. The city should determine market value through appraisals or other means, and then advertise the sale of the properties and/or develop a reasonable marketing plan which will assure a reasonable number of interested bidders. If the initial bid(s) do not offer an acceptable amount for the applicable properties, the city should consider rejecting all bids and resoliciting bids.

2) In June 1996, another building and lot was donated to the city to be used as it wished to improve the area around Main Street. The city eventually decided to donate the building and lot to the SDC with the intent that the lot be used as part of the property where the new Place's Department Store would be located. Ultimately, this property was not used for this purpose and according to city officials was sold by the SDC for $3,500, with the proceeds of the sale being retained by the SDC.

The city should take steps to ensure that any city-owned property donated for an economic development or other similar purpose is used for the purpose

intended. This could be done by requiring the property to revert back to the city if not used for the purpose intended.

WE RECOMMEND the City Council:

A. Discontinue allowing city employees to use city-owned equipment for personal reasons at no cost. If the city wishes to allow personal usage of city equipment, a written policy should be established along with a reasonable charge structure.

B.1. Ensure reasonable efforts are made to sell city properties at fair value.

2. Ensure any city-owned property donated for economic development or other purposes is used for the purpose intended. If it is not used for that purpose, the city should consider requiring the property to revert back to the city.

AUDITEE'S RESPONSE

The City Council provided the following response:

Should not have sold donated buildings to council after public bids. The city feels that the property was publicly advertised by local paper and STV, but the only bids received were from Dr. Allegri and Mr. Muse. The objective of this council was to get this property back into the hands of taxpayers and to promote business downtown and to prohibit storage buildings. Both parties did start businesses in their buildings, pay taxes on the property, pay utility bills, etc. What does constitute enough advertising? It should also be mentioned these properties were for sale prior to being donated to the city, but no offers were received.

As far as the donation of the Old Variety Store to the Slater Development Corporation for the Place's project, we feel that the cost to demolish this property at a later date on our own would exceed what the city feels the property is actually worth. So, the city feels we saved the citizens of Slater money. The property has been sold and a third new building is going up (Slater Main Street News). This does constitute economic development in Slater and is just as beneficial to Slater's downtown revitalization as Places.

No policy on use of city equipment: Again, your staff is in favor of killing a lot of trees to put things on paper. We do, in fact, have a policy but it is not in writing. Our policy is to allow our employees to use city equipment when they request it to the Mayor or Assistant Administrator. It is to be used by employees only for their private use. The council feels this is a benefit to its employees who are not underworked and overpaid. A written policy will be considered in the future and MIRMA, the city's insurance carrier, will be contacted. If the city equipment is used by our employees for others a charge is assessed according to the current rate schedule.

5. Council Meetings, Minutes, and Ordinances

A. A review of the City Council minutes disclosed that the minutes do not reflect all significant items of discussion or actions taken by the council. For example, there was no mention of the $608,000 loan to the Slater Development Corporation (SDC) in the regular minutes of the council. Other significant decisions/items which were not properly documented in the minutes included the donation of a building and lot to the SDC in 1997, the various proposals received from contractors regarding the construction of the new city hall building, and the proposals received and the award of the construction of new sidewalks on Main Street.

City Council minutes document the activity of the council and should contain all important items of discussion and actions taken. By not disclosing all important items of discussion and actions by the council, the minutes are not complete and adequate.

B. Matters were discussed in closed session which do not appear to be allowed by Section 610.021, RSMo Cum. Supp. 1997. Examples of such matters discussed in closed meetings included forming a committee to procure a new fire engine and the performance of a water hydrant study. These do not appear to be valid issues to be discussed in a closed meeting.

Section 610.021, RSMo allows the city council to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting which differs from the specific reasons justifying such meeting, record, or vote.

C. Upon final disposition of matters discussed in closed meetings, it is not evident that the final disposition is always made public. Actions taken by the City Council in closed session are not generally recorded in the regular minutes. Section 610.021, RSMo Cum. Supp. 1997, requires certain matters discussed in closed meetings to be made public upon final disposition.

D. The City Council's open meeting minutes were properly signed by the Mayor and City Clerk; however, the closed meeting minutes were not always signed. All board minutes (including those for closed meetings) should be signed by the Mayor and City Clerk to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the council's meeting.

WE RECOMMEND the City Council:

A. Ensure the council minutes are complete and reflect all significant items of discussion and actions taken by the council.

B. Limit closed meetings only to purposes specifically allowed by state law.

C. Ensure the final disposition of certain matters discussed at closed meetings is made public as required by state law.

D. Ensure all minutes (including those for closed meetings) are properly signed to attest to their accuracy.

AUDITEE'S RESPONSE

The City Council provided the following response:

According to the MO. Sunshine Law, pg. 18 of the revised August 1998 edition received from Attorney General Jay Nixon, open minutes should include date, time, place, members present and members absent, and votes attributed to each member. RSMo Section 610.020.6. It does not include she said/he said discussion. However, in the future the city will try to improve on all regular and executive minutes. The city feels the State should consider developing some workshops on this issue in the future as this seems to be a common recommendation in all state audits.

AUDITOR'S COMMENT

A. Section 610.020.6, RSMo 1994, provides:

"A journal or minutes of open meetings shall be taken and retained by the public governmental body, **including, but not limited to** (emphasis added), a record of any votes taken at such meeting. The minutes shall include the date, time, place, members present, members absent and a record of any votes taken . . ."

Therefore, the information referred to above as well as in the council's response should be viewed as the minimum information required, and not necessarily all information needed to adequately document matters brought before the City Council. We have never suggested that all discussions of the council be presented in detail in the minutes; however, we believe that any significant points of discussions should be reflected in the minutes in at least some limited manner.

6. Budgetary Practices and Financial Reporting

A. A review of the city's 1997 and 1998 budgets and related procedures disclosed the following concerns:

1) While the budgets were generally complete and included adequate detail, the budgets did not include the beginning and projected ending cash balances for any of the funds budgeted.

Section 67.010, RSMo 1994, provides the city's budget shall present a complete financial plan for the ensuing budget year. A budget should include the beginning and projected ending cash balances of all city funds.

2) The city exceeded the budgeted expenditure amounts in various funds during the years ended December 31, 1997 and 1996, as follows:

	Year Ended December 31,	
Fund	1997	1996
Electric Fund	$ 35,683	-0-
Refuse Fund	2,353	-0-
Park Fund	14,662	13,489
Library Fund	1,999	-0-
Capital Improvement Fund	-0-	341
Water Fund	127,112	-0-

The Water Fund's budget was overspent in 1997 due to the city receiving and expending over $200,000 in flood disaster relief monies. The city did not prepare an amended budget for this fund or any of the other funds where the budget was overspent, nor did the city set forth any reasons for exceeding the budgeted amounts in the council minutes or adopt a resolution authorizing the additional expenditures.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If there are valid reasons which necessitate excess expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such.

B. The city has not published semiannual financial statements as required by law. It appears the city has not published financial statements since at least 1991.

Section 77.110, RSMo 1994, requires the city council to publish semiannual financial statements. These financial statements are to include a detailed statement of the receipts and expenditures and indebtedness of the city at the end of each fiscal year and six months after the end of each fiscal year.

WE RECOMMEND the City Council:

A.1. Ensure the city budgets include the beginning and projected ending cash balances of all city funds.

2. Ensure expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the increase and reasons for such should be adopted.

B. Publish semiannual financial statements as required by state law.

AUDITEE'S RESPONSE

The City Council provided the following response:

Budget: You have stated that the budget adopted by the city has no "beginning and ending balances". What we think you mean is that the printed document does not have any beginning and ending balances stated in it. Clearly we do have beginning balances on our computer and those beginning balances are checked and adjusted by our auditors when they do our annual audit. Clearly the ending balance for our budget is never going to be better than an estimate because the new budget is adopted while the old budget is still being worked through. So the ending balance for the current fiscal year will have to be an estimate, and so will the starting balance in the subsequent year.

We do not believe that it is particularly helpful to the City Council or the citizens to have estimates rather than hard figures in the budget. We do not see any particular problem, however, in complying with your suggestion and Section 67.010, RSMo 1994, that some numbers (either accurate or inaccurate) be placed at the beginning and at the end of the budget document. We will implement your suggestion when we do the budget for fiscal year 1999.

No published semi-annual financial statement. The City of Slater was for many years a city operating under the "council/manager form of government". The council/manager form of government is not required to publish a semi-annual financial statement.

When the voters of the city decided to abolish the council/manager form of government we became subject to a different set of statutes, including the one requiring the publishing of a semi-annual financial statement.

We intend to begin publishing the financial statement beginning in June 1999 (six months into our fiscal year).

7. City Funds

A. In April 1994, the citizens of the city of Slater passed a one-half cent transportation sales tax to be used for street improvements. This sales tax is for a five-year period and will expire in 1999, unless city residents vote to extend the tax. A separate fund has not been established to account for these monies as required by statute. Instead, these sales tax revenues have been accounted for in the city's Capital Improvement Fund. It appears the monies have been spent from this fund for street improvements, which is an allowable use of these revenues.

Section 94.745, RSMo 1994, requires transportation sales tax revenues be deposited in a special fund to be known as the City Transportation Trust Fund and be used only for transportation purposes.

B. For a number of years, the city has levied a debt service property tax to pay the principal and interest requirements of its general obligation bonds. The related property tax revenues have not been maintained in a separate fund as required by law. Instead these monies have been accounted for in the city's Water Fund. The city estimated that debt service revenues of approximately $2,800 remained in the Water Fund at December 31, 1997.

Section 108.180, RSMo 1994, requires that monies derived from a tax levy for the payment of interest and principal of bonds shall be kept separate and apart from all other funds so that there shall be no commingling of such funds with any other funds of the city.

C. The city maintains most of the operating monies of its various funds in one interest bearing checking account. The interest revenue earned each month from this account is credited to the city's General Fund, instead of being allocated to the various funds which maintain monies in this account. Approximately $1,400 per month in interest income was earned on this account during the year ended December 31, 1997. Although all of this interest was credited to the General Fund, had it been properly allocated a majority of this interest would have been credited to the city's utility (electric, water, and wastewater) funds.

Interest should be credited to the funds whose monies generated the revenue. To ensure all city funds receive the appropriate amount of revenue, interest earned on the city's main operating account should be properly allocated among the various city funds.

WE RECOMMEND the City Council:

A. Establish a separate City Transportation Trust Fund to account for the receipt and expenditure of the transportation sales tax revenues.

B. Establish a separate Debt Service Fund to account for the receipt of the debt service property tax revenues and the related payments of the principal and interest requirements of its general obligation bonds.

C. Ensure the interest income earned on the city's main operating account is properly allocated among the various city funds.

AUDITEE'S RESPONSE

The City Council provided the following response:

Your staff suggested that we should set up some additional "funds" in order to better account for the city's capital improvement sales tax, the city's transportation sales tax, and the debt service, which we pay out, on outstanding municipal bonds. The implication of the statement was that they wanted us to have different "bank accounts". As your staff already knows, we do account for these items separately and it is very easy using our existing system to determine that we are complying with the

law in how we spend our capital improvement sales tax money, or how we are spending our transportation sales tax money. It is also obvious that we are paying our debts on a timely basis. However, the city will establish separate paper funds for each of these in the future.

Interest Income. Interest income from the operating account is currently deposited into the General Fund instead of dividing it among all accounts. On the average this amounts to $1,400 a month. This seems to be irrelevant when the city has 10 different funds. We will try and develop a journal entry sheet with some percentages that will disburse some of this interest to other accounts.

8. City Contracts

A. The city does not have a written agreement with its depositary bank as authorized by Section 95.285, RSMo 1994. A written depositary contract helps both the bank and the city understand and comply with the requirements of any banking arrangement.

The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds.

B. The city has appointed an attorney in the area to serve as City Attorney. The city has not entered into a written contract with this individual, defining the services to be rendered and compensation to be paid for legal services.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the City Council:

A. Enter into a written agreement with its depositary bank.

B. Enter into a written contract with the City Attorney for legal services.

AUDITEE'S RESPONSE

The City Council provided the following response:

No Contract with Bank Depository: It is absolutely true that we do not have a contract with our bank depository, other than the individual (implied) contracts entered into with respect to each individual account. Again, there is no possible advantage to the city in having such a contract, as we do not bid our banking services. We chose to bank in Slater as Section 95.280, RSMo allows. We believe we get better service, more flexible pricing, and serve the people of Slater better by banking

in Slater. The city will contact the State Bank of Slater about this recommendation and if it has any benefit to the city and its citizens. Again, the MML supports passage of legislation that would repeal the archaic laws governing depositories for funds and clarify the investment authority of statutory cities.

No Contract with City Attorney: You are absolutely correct that we do not have a contract with our city attorney. Our city attorney has advised us that there is no benefit to such a contract, because under the present arrangement, the city is free to fire the attorney at any time, with or without a reason, and to decline to pay for the attorney's services. Having a contract with the city attorney would only benefit the attorney. Under those circumstances, we see no reason to enter into a contract with our lawyer. In the future, the city will require a rate schedule for the upcoming year with some general terms and conditions.

9. Internal Controls

A. The city could improve its segregation of duties, particularly over cash receipts. For monies received by the city, the same individual receives the monies, records the transactions, and prepares the bank deposit slips. No periodic review or reconciliation of recorded receipts to bank deposits is performed by an independent person. A similar control weakness exists for monies received by the municipal court.

To ensure monies are properly safeguarded, duties should be segregated to the extent possible. In regard to cash receipts, a periodic reconciliation of recorded receipts to bank deposits should be performed by an independent person.

This condition was similarly reported by the city's independent auditors.

B. Cash receipts are not always deposited intact. City officials and employees are allowed to cash personal checks from daily cash receipts. This is a poor practice and reduces accountability over receipts. To ensure all receipts are properly handled, they should be deposited intact. Personal checks should not be cashed from the daily cash receipts.

C. The approval of adjustments made to individual utility bills is not documented. All adjustments made to the monthly utility bills are recorded on adjustment sheets. Although we were told adjustments made to the utility bills are verbally approved by the Mayor or Assistant City Administrator/City Clerk, the adjustment sheets are not reviewed or approved by the Mayor or Assistant City Administrator/City Clerk.

To ensure all adjustments to utility bills are appropriate and have been recorded properly, the utility adjustment sheets should be reviewed and approved by the Mayor or Assistant City Administrator/City Clerk. That review and approval should be documented.

WE RECOMMEND the City Council:

A. Ensure the duties related to the handling, recording, and depositing of cash receipts is segregated to the extent possible. In addition, a periodic reconciliation of recorded receipts to bank deposits should be performed by an independent person.

B. Require all cash receipts to be deposited intact. The cashing of personal checks from daily cash receipts should be prohibited.

C. Ensure an independent review and approval of any adjustments to utility bills is performed and documented.

AUDITEE'S RESPONSE

The City Council provided the following response:

Segregation of Duties: This has been written up in the city audit for years. With a staff of the City's size it is impossible to have total segregation of duties. This statement is a safety statement that covers our auditor as well as the State Auditor if something would be found years from now. It says we told you there could be problems someday. We will try to develop some additional checks and balances, but will not consider hiring more staff, as the General Fund cannot support it, nor need it. The city staff will ensure all receipts are deposited intact, cashing of personal checks will be regulated and any utility adjustments will be approved in writing by a second person in the office. The Mayor and City Clerk will be advised of these adjustments.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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